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Prospects for the Russian Chairmanship of the G20

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Acronyms

APEC	Asia-Pacific Economic Cooperation
BRICS	Brazil, Russia, India, China, and South Africa
DDR	Doha Development Round (or Doha round)
EU	European Union
FSB	Financial Stability Board
FSSBG	Framework for Strong, Sustainable, and Balanced Growth
G20	Group of Twenty
G7	Group of Seven
G8	Group of Eight
GSIB	global systemically important banks
IFI	international financial institutions
IMF	International Monetary Fund
MAP	Mutual Assessment Process
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of the Petroleum Exporting Countries
OTC	over-the-counter (derivatives)
RMB	renminbi
SDR	special drawing rights
T20	Think Twenty (the G20 think tank meetings)
TEPAV	Economic Policy Research Foundation of Turkey
UN	United Nations
WTO	World Trade Organization

Introduction: Global Perspectives on the G20's Future

Stewart Patrick

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On December 1, 2012, Russia assumed the rotating chair of the Group of Twenty (G20), the premier forum for global economic coordination. It did so at a time of growing uncertainty about the future role of the G20 and gnawing doubts about the ability of the organization to fulfill past promises. Hoping to assist the government of Russia in defining priorities for its year-long chairmanship, the Council on Foreign Relations (CFR) and the Moscow-based Institute for Contemporary Development (INSOR) solicited short memos from their partners in the Council of Councils (CoC), an international network of premier policy institutions roughly tracking the G20's own membership. The eleven CoC contributions included here provide diverse opinions and perspectives regarding the G20's recent performance, its current challenges, and its potential future directions. These memos have circulated widely in Moscow, including with Russian finance ministry officials, the Russian G20 sherpa—Ksenia Yudaeva—and her negotiating team. Each memo included here reflects the personal opinion of the author.

BACKGROUND

The elevation of the G20—previously a gathering of finance ministers and central bank governors—to the level of heads of state and government is the most significant innovation in multilateral cooperation since the end of the Cold War. During the depths of the financial crisis, the forum was at its zenith. World leaders took vigorous action to save the world from depression. They embraced a program for strong, sustainable, and balanced growth; endorsed tighter financial regulation, including through a new Financial Stability Board; held the line against protectionism; and pledged governance reform of the world's international financial institutions (IFIs) to accommodate emerging powers.

After some notable early successes, however, the organization finds its credibility increasingly challenged. As an uneven global recovery has taken hold, the G20's solidarity and perceived accomplishments have declined. Today the G20 faces fundamental questions about its ability to deliver on past commitments, which include moderating structural imbalances in the global economy, advancing trade liberalization, and implementing robust regulatory reform of the financial services industry. More broadly, the forum must make fundamental choices concerning the scope of its agenda, its relationship to other multilateral frameworks, its composition and perceived legitimacy, and its potential institutionalization as a more formal institution.

THE MEMOS

The launch of the year-long Russian chairmanship seemed a propitious moment to canvass the Council of Councils for international perspectives. Accordingly, CFR and INSOR invited CoC

members to write brief memoranda responding to some (or, if they wished, all) of the following questions:

- What should be the main priorities for Russia’s G20 chairmanship?
- How would you rate the performance of the G20 to date as the “premier steering group for global economic coordination?” What have been its main achievements and disappointments in advancing the Pittsburgh Framework for Strong, Sustainable, and Balanced Growth?
- What have been the main obstacles to the G20’s effectiveness—and what (if any) reforms could overcome these shortcomings? Are current mechanisms to coordinate, monitor, and evaluate the implementation of G20 decisions at the national and multilateral levels sufficiently robust?
- Should the G20 restrict its agenda primarily to macroeconomic policy coordination and financial regulation, or should it expand its attention to political, security, development, labor, social, climate, and other agenda items?
- What is the appropriate relationship between the G20 and the international financial institutions (International Monetary Fund and World Bank) and the United Nations? What should be the division of labor between the G20, on the one hand, and the Group of Eight (G8), on the other?

The resulting memos are diverse in length, tone, and perspective. But they do contain some common themes. Most, though not all, of the authors advise the Russian government to resist G20 “mission creep” and instead focus on the “unfinished business” of improving macroeconomic coordination, correcting global imbalances, strengthening financial regulation, implementing IFI governance reform, and bolstering surveillance of G20 national commitments. The authors agree that the G20 should become more active in promoting international trade, adopt only those agenda items that are not being adequately addressed by existing institutions, and continue its outreach efforts to the broader UN membership to enhance its perceived legitimacy. Generally speaking, the authors would like to see the G20 emerge from merely a crisis committee to become a more enduring steering group for the global economy.

The opinions and advice contained in these memos reflect solely the views of the authors themselves.

Priorities for the Russian Chairmanship of the G20

Mark Thirlwell

Lowy Institute for International Policy, Australia

PRIORITIES

Given the growing sense that the Group of Twenty is currently in danger of losing its way, one major objective for the year of Russia's G20 presidency is to help rebuild the group's credibility. This needs to involve work on both the agenda and organization.

With respect to the agenda, one significant problem is the continued addition of new items without either successful resolution of existing ones or consideration of the opportunity costs involved with regard to leaders' time. The result has been a debilitating combination of mission creep and failure to deliver. Important, time-bounded promises such as the commitment to complete the Doha Development Round (DDR, or Doha round) of international trade negotiations by a specified date have not been met; this has damaged the G20's credibility. Other critical pledges—such as reform of quota and governance of the International Monetary Fund (IMF)—have yet to be fully implemented, with similar consequences. Meanwhile, the temptation for each host country to add its issues to the agenda is contributing to an ever-expanding workload and a growing backlog of yet-to-be-fulfilled promises.

The Russian presidency has already declared that it will be putting forth a back-to-basics agenda during its leadership year. Ideally, that should involve a minimum of additions to the already extensive G20 agenda and instead be a restated commitment to core competencies such as the Framework for Strong, Sustainable, and Balanced Growth (FSSBG), IMF reform, systemic international financial sector reform, and international economic coordination. It would be a bonus were the Russian presidency to go even further and come up with ways to actively trim the current agenda.

With respect to organization, the Cannes summit decided to formalize the troika system of G20 governance. Unfortunately, the evidence from the past year suggests that the troika system has a long way to go in terms of effectiveness. A priority of the Russian year—and the Australian year that follows—should be on having an active and effective troika process. At minimum, understanding should be clear among troika members as to what is expected of them. If it appears that the troika system is not working, then a viable alternative—one that avoids the potentially stultifying consequences of a permanent secretariat—will need to be found.

Not only has the G20 agenda, particularly for the leaders' process, become clogged with too many items, but G20 summits have also become clogged with too many participants, formal presentations, and status reports. A more ruthless approach to who gets to participate at the top table and the number of formal presentations made during the meetings would be another important contribution to Russia's aim of getting back to basics.

ACHIEVEMENTS AND DISAPPOINTMENTS

A consensus is now emerging regarding the trajectory of the G20 as the premier steering group for global economic coordination. According to this story, the grouping got off to a very strong start with its response to the global economic and financial crisis. The London summit, in particular, is often seen as a high point: it delivered a globally coordinated fiscal stimulus, approved an increase in IMF resources, established the Financial Stability Board, promised to eschew protectionism, and kick-started reform of chairs and shares at the IMF. Pittsburgh then built upon this success with the FSSBG and the declaration that the G20 would henceforth be the premier body for leaders' international economic cooperation. Unfortunately, according to this narrative, the G20 has gone downhill ever since. Alternative stories are even gloomier, hypothesizing, for example, that the world is bound for a G-Zero system, in which effective global economic cooperation and governance is impossible.

In fact, much of this now fashionable pessimism is overdone. In particular, the consensus story fails to pay enough attention to the breadth and scale of the governance challenges facing the G20 and the real progress that has been made in forging the governance mechanisms for a more multipolar global economy. This is, after all, a long-term project, and one that is unlikely to be accomplished in the handful of years that the G20 has been in operation. The G20 has already produced a more substantive degree of engagement on economic issues between emerging markets and advanced economies following the introduction of the leaders' process. Given the magnitude and complexity of the challenges now facing the global economy, a more realistic assessment is needed as to what individual summits can be expected to achieve, as opposed to benefits brought by the overall process.

Unfortunately, however, there is a risk that the G20 will lose its way and fail to live up to its potential, in part because of the issues regarding its agenda and organization. It is also true that public—and media—perceptions of the effectiveness of the G20 have become more negative over time.

In September 2009, in Pittsburgh, leaders promised that together they would “launch a framework that lays out the policies and the way we act together to generate strong, sustainable, and balanced global growth” to help generate “a durable recovery that creates the good jobs our people need.” Three years on, and according to the latest IMF assessment of the world economic outlook, downside risks are now more elevated than they were in April this year or in September 2011, and prospects are for “sluggish and bumpy growth” at best, and “no significant improvement appears in the offing.” The world remains a long way from the durable recovery and strong, sustainable, balanced growth promised at Pittsburgh. As long as it does, the G20 will be seen as failing in one of its most important tasks, which will inevitably have reputational consequences. Faced with this outlook, the G20 under the Russian presidency needs to make sure that countries are delivering on their policy commitments under the FSSBG.

SHORTCOMINGS AND REFORMS

Some of the most significant obstacles to G20 effectiveness—at least in the sense of delivering agreed outcomes—are structural and largely unavoidable in that they are the result of the difficulties posed by reaching agreement among a diverse set of economies with different preferences, political arrangements, levels of development, and economic systems. It was the need to confront this new global reality that prompted the effective promotion of the G20 above the Group of Seven (G7) and Group of Eight in the first place. That a more multipolar world is also tougher to manage than the

more clubbable arrangements presided over by the G7 or G8 should really not have come as the surprise that it seems to have been to some observers.

Moreover, the G20 has compounded these unavoidable structural problems with too many agenda items, too many promises difficult to deliver, and too many participants at summits. In addition, its public image has not been helped by the drift toward increasingly longer and turgid post-summit statements and reports that seem almost deliberately designed to trigger aversion among readers who are not bureaucrats.

Actions to trim the number of agenda items to better focus on the most important and most pressing issues, and actions to limit the numbers of participants at summits, could help deal with some of these additional problems. Shorter, more reader-friendly summit statements would also be a useful cosmetic change.

THE G20 AGENDA

The Pittsburgh summit set up the G20 as a peak economic coordinating body. Unless and until the group can fulfill that core mandate, it makes little sense to expand its remit to other items, not least because this would only exacerbate the current problems of agenda creep, overstretch, and lack of focus. Moreover, it is not as if there are too few challenges in the global economy to merit leaders' attention. As noted, in 2013 the G20 should focus on the importance of countries delivering on their policy commitments under the FSSBG.

Realistically, G20 leaders will of course talk about what is most on their mind at summits. Although core, formal business should largely remain restricted to economics and finance, G20 summits can, do, and will offer a useful venue for other important discussions to take place on the sidelines.

DIVISION OF LABOR

In its leaders format, the G20 is above all else a political grouping. Its role is to bring the leaders of the world's biggest economies together to provide political impetus to international economic cooperation and coordination. The main focuses of the G20 should be the policies of its members and the recognition that their actions will have global consequences.

When G20 members meet in the governing bodies of the international financial institutions, such as the IMF and the World Bank, they should work to ensure that these institutions are operating efficiently, are serving the interests of all their members, have an appropriate governance structure in place, and are appropriately resourced and managed so that they can fulfill their mandates. As a peak global political grouping, the G20 can and has provided some of the impetus needed to drive reform of these institutions. However, the G20 is not an implementing body, and its role is not to usurp the role of the IFIs. Rather, the focus of the group should be on continuing to support the IFI reform process, not least by encouraging G20 members to meet their existing commitments along these lines.

Russia's G20 Presidency

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PRIORITIES

The financial crisis in Europe has for some time been the primary issue under international debate, and it will certainly guide Russia in its G20 presidency. In some sense, the crisis has undermined the emphasis on reform of multilateral institutions, the International Monetary Fund in particular. It has certainly raised a number of questions: How can a solid framework to regulate the financial sector be created? How can the IMF create new instruments to predict the possibility of a crisis? How can the rules governing voting power be changed to guarantee greater participation among developing countries? These issues must also be on the agenda if the crisis is to be effectively resolved. Furthermore, the perception of a new wave of protectionism is emerging. Meanwhile, the Doha Development Round is at a standstill, and political will to engage in new commitments seems to be lacking. Several priorities for the G20 seem evident:

- reform of the IMF (financial instruments, warning indicators, and voting power)
- commitment to stop protectionism and end the Doha round
- cooperation with the countries most affected by the euro crisis

ACHIEVEMENTS AND DISAPPOINTMENTS

The G20's performance as the premier steering group for global economic coordination in the wake of the crisis has been sound. The Pittsburgh Summit's Framework for Strong, Sustainable, and Balanced Growth encompasses numerous reforms of economic governance institutions. It also addresses a wide scope of issues aimed at guaranteeing sustainable growth going forward. In this sense, some topics that were priorities after the crisis and were responsible for the success of the G20 cooperation seem to have lost their importance in the middle of the wide Pittsburgh agenda. Some have not yet been properly addressed. Discussions on climate change and poverty are crucial to ensuring sustainable growth. The question is, What does the G20 want to be: a forum to debate the main questions of the world without a commitment to produce substantial results, one that focuses on financial and trade-related issues, or one that encourages the reform of the multilateral economic institutions?

SHORTCOMINGS AND REFORMS

The success of the G20 depends on the political will of its members. The European crisis has to some extent overshadowed the agenda. It is now critical to refocus on the importance of emerging countries.

The G20 should also work to guarantee that the proper institutions, such as the IMF and the World Trade Organization (WTO), coordinate, monitor, and evaluate implementation of G20 decisions at both the national and multilateral levels. Reform of related institutions is critical in this regard. Creating a new standing secretariat is not the answer.

THE G20 AGENDA AND ROLE

To be most effective, the G20 needs to restrict its agenda to macroeconomic policy coordination and financial regulation. It should also have a permanent advisory role in the reform of multilateral institutions, without discussing specifically, for example, how to create a multilateral governance of climate change. Obviously, in the face of an unexpected crisis, if members agree to cooperate, the G20 can play a constructive part.

In terms of global governance, the G20 could take on the role of a “permanent encouraging leader,” but it should leave to the appropriate institutions the decision of how to deal with reforms. Cooperation between the G20 and international financial institutions such as the IMF and World Bank is critical. The demand of developing countries is that the G20—not the G8—should be the primary coordinator of the global macroeconomic agenda, though clearly the G8 could always present suggestions.

Notes for the Russian G20 Presidency

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A back-to-basics agenda may well be the route to a successful Russian presidency of the G20. It means concentrating on unfinished business in the area of international finance, the issue that gave rise to the G20 at the leaders' level.

The G20 must express clearly that it will focus on commitments in this area. Security questions, nuclear issues, development, trade, food security, climate change, and the like should all be delegated or deferred unless a clear link to the short-term global macroeconomic agenda is identified. As a last resort, studies or future reports could be requested for issues peripheral to the basic agenda. The challenge is to deflect the countless pleas to broaden the agenda. Civil society, think tanks, and business organizations will each lobby for their own critical issue. Focus is necessary to prevent unfavorable assessments of the G20.¹ Difficulties with the basic agenda should not be underestimated. That is, “the limitations of each political domestic system, democratic or not, to internalize the consequences of others’ policies on their own economic performance, as well as the ramifications of their policies on others’ performance. . . . Politics is always local: there is no constituency for the global economy.”²

THREE POTENTIAL THEMES

The G20 agenda might be limited to three themes: strengthening the international financial institutions, improving the mutual assessment process, and improving the G20 process.

There are two major dimensions to strengthening IFIs to meet reform and modernization commitments. The first consists of clarifying the IMF’s relationship with the G20, strengthening the role of ministerial oversight, agreeing on the role (and requisite resources) of the IMF, and pursuing far more substantial progress on quota reform. The second consists of converting the Financial Stability Board (FSB) from a soft institution to a hard one with adequate staff, formal legal standing, and appropriate governance.

The mutual assessment process could highlight the effects of each country’s domestic policies on the others, and on the economic system as a whole. “Ignoring these effects will only help perpetuate international economic instability and increase national exposure to global economic shocks.”³ The G20 should invest in the G20 Mutual Assessment Process (MAP) by

- defining the relationship between the G20’s MAP and other economic surveillance, assessment, and peer review exercises—such as IMF reports on systemically important countries, Organization for Economic Cooperation and Development (OECD) work, and, in the future, the FSB—to strengthen collaboration;
- establishing an independent office to support a better understanding of the benefits of cooperative outcomes;

- publishing ex ante international impact assessments to increase domestic awareness of the international implications of domestic policy; and
- publishing national road maps with international commitments and a national statement about specific intentions at a domestic level to fulfill the G20 commitments.

Improving the G20 process entails additional challenges. Significant achievements will require more than a single year to accomplish. Several goals for the short term include

- strengthening the G20 by promoting the troika concept, which can provide continuity and lift Russia's influence during the Australian presidency in 2014;
- maintaining strategic momentum and accountability for commitments by focusing strategic political direction and delegating technical work to particular bodies, working groups, or nations;
- developing a transparent appointment mechanism to elect the G20 presidency and encourage applicant nations to both set out appealing cooperative agenda ideas that foster continuity from one presidency to another and support the function of the troika;
- considering a bureau or executive committee to assist the presidency; and
- publishing regular presidency summit reports on G20 work to highlight progress on commitments.

OTHER AGENDA POSSIBILITIES

If there is an appetite for an even more ambitious agenda, still focused on the international financial arena, three issues present themselves.

First, work could be commissioned to find cooperative solutions to regulation of international capital flows and establish rules of the game to deal with unsustainable sovereign debt burdens. To date, countries have been unwilling to cede any jurisdiction over capital flows to the IMF.

Second, on sovereign debt, no rules have yet been agreed to on how to manage unsustainable situations. Each new situation is being managed ad hoc, and no clear guidelines have been established on how to proceed or what creditors or debtors might expect. These issues will take years to resolve; the best strategy may be to devise constructive incremental steps.

A third idea would be to task the IMF to devise schemes to enhance the role of special drawing rights (SDRs) directed to financing global public goods, harkening back to proposals first made by Peter Kenen in the 1970s and reiterated more recently by senior decision-makers in a range of countries including Brazil, China, and France.

In all of these cases, a sound, credible source of ideas and analysis is needed if the leaders' deliberations are to be successful. In the absence of a permanent G20 secretariat, and even in the case of one, the role for a Think Twenty (T20; the G20 think tank meetings), given impetus during the Mexican presidency, could be enhanced.

If the troika concept is strengthened, a T20 would work closely with the Lowy Institute, the lead Australian organization selected by the Australian government. Looking ahead to Turkey's presidency in 2015, it would be a good idea to invite the Economic Policy Research Foundation of Turkey (TEPAV) into the deliberations.

One proven-useful technique to ensure the success of the T20 is to inform invitees that, two weeks before the event, they must send a short note to the presidency providing advice on one major objective of Russia's presidency, explaining how to promote the idea and a strategy to gain G20 agree-

ment. For the December meeting, the task for participants is to select two or three of the ideas recommended and to refine them for consideration by Sherpa Track working group members.

Priorities and Issues for the Eighth G20 Summit in St. Petersburg

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For those who study the evolution of the G7 and G8, each group of seven summits resembles a natural cycle, like the seven days in a week. The 2013 summit of the G20 in Russia, the eighth such meeting, will thus be the start of a fresh round of summits. This is especially true in that many G20 members—including the United States, China, and Mexico—will be represented by new leaders at the summit.

PRIORITIES

The G20, in its mission, is defined as the “premier forum for international economic cooperation”—that is, the highest-level platform for global economic governance. This means that the G20 should identify and focus on the most important and urgent global economic issues needing the direct involvement of top leaders. The 2013 Russia summit is about a year away, and its agenda will obviously depend on global economic developments up to that time. It is safe to say, however, that the main outstanding issues hindering the recovery of the world economy today include not only the European debt and eurozone crisis, but also U.S. and Japanese sovereign debt. In addition, reform of international financial institutions, global financial regulation, volatility of the developing world, rising protectionism, and the like are all chronic issues that merit continuous attention.

What Russia’s summit needs is therefore not a new agenda, but new political will, intellectual wisdom, and real solutions. Far more mutual understanding and macroeconomic policy coordination are in order. Emerging markets have been extremely concerned about the risks and costs that the U.S. Federal Reserve’s series of quantitative easing have brought to their economies. Chairman Benjamin Bernanke, however, has said that this causal link was not necessarily clear at the 2012 annual meeting of the International Monetary Fund and the World Bank in Tokyo. Rebalancing investment and consumption in major countries still has a long way to go. Although the renminbi (RMB) has appreciated by 30 percent since 2005, similar to the result of a “plaza accord,” and academics have declared no “cheap China,” former U.S. presidential candidate Mitt Romney repeatedly asserted that he would label China as a currency manipulator on day one.

Strengthening and reforming international financial architecture—including the Financial Stability Board, which regulates the global financial market, and the Bretton Woods institutions, which coordinate international economic policies—is a longer-term issue that deserves more push from the G20. Countries missed the deadline for the 2010 IMF reform package to take effect, which sent a negative signal to emerging economies—such as Brazil, Russia, India, China, and South Africa (the BRICS)—that was likely to only firm up their determination to build their own institutions.

The 2013 agenda might be well tailored to take advantage of the strengths of host country Russia, given that energy is such an important issue. The shale gas boom led by the United States is bringing

the global energy market into a new era. However, the United States still maintains an export license program for its oil and gas that gives it a competitive edge, which obviously does not conform to WTO rules. New exploration of oil and gas could also further delay investment in alternative energy and increase climate change risks. These issues need to be taken up at the G20 discussions.

The Doha round is in a deadlock but not yet formally dead. The G20 should urge trade ministers to continue to work toward any possibility of small but specific progress to avoid the free trade “bicycle” retreat, whereby an international organization collapses when it loses momentum.

SHORTCOMINGS AND REFORMS

The significance of the G20 needs to be fully recognized. It is the only platform where emerging economies feel a sense of ownership and where they are willing to work with advanced economies. There is, at least at present, no alternative to meet this growing demand for global economic governance. China, for example, has been far more engaged with global economic institutions, including the IMF and World Bank, since the G20 was established. And the group’s efforts helped avoid a repeat of the Great Depression in the wake of the 2008 crisis.

This is not to say that the G20 can achieve everything. As many realize, assessment of the group’s performance depends on the level of expectation. The G20 is nothing more than a table at which people are willing and able to sit down to exchange views and seek solutions. The table can facilitate the parties’ enhanced mutual understanding and put the brakes on friction, but it cannot really resolve overall structural conflicts. Political will, courage, and leadership are the solution to narrowing differences between members.

Another issue that affects the effectiveness of the G20 is the knowledge gap. At the beginning of the 2008 crisis, international coordination on stimulating the economy under the G20 framework was unprecedented. But, soon after, opinions divided sharply on whether Keynesianism or monetarism was more appropriate for the situation. Consensus on how to improve the global monetary system is even more scant. The Triffin dilemma identified decades ago has not been solved. A breakthrough in the knowledge gap could help redefine interests and solutions and make cooperation easier. This, however, entails far more extensive efforts than the G20 can muster and often takes a long time.

INSTITUTION BUILDING FOR A MORE TRUSTFUL G20

In the first few years after the G20 was established, its institutional aspect was hotly discussed. Many argued for a standing secretariat. At the Cannes summit, leaders recognized the approximate role played by the troika of past, present, and future host countries in running the G20. This informal and flexible secretariat suffices to keep the group going.

The G20 is a continuous process rather than a one-day spotlight show. It needs to behave more like an institution, for which continuity and consistency are critical. But this cannot be achieved through a formal secretariat. Establishing a common methodology for monitoring, evaluating, and coordinating the implementation of G20 decisions is more essential. The Los Cabos Accountability Assessment Framework was a good start. The G20 can establish a special task force on this work, including taking advantage of the strength of academic institutions. Its leaders can then effectively

both convey their shared willingness and capability to govern the world economy and provide legitimacy for the G20. The group can in turn build on its experiences and move forward.

THE G20 AGENDA

If the “strong, sustainable, and balanced growth” of the world economy is to take shape, the G20 should in the near future restrict its agenda to macroeconomic policy coordination and financial regulation. It would be unwise for the G20 to move hastily to noneconomic issues. For one thing, the world economy still faces tremendous challenges, and the G20 cannot afford to focus too broadly. For another, unlike the G7, the G20 is not a group of political allies and is therefore not adept at resolving security issues. The G20 does not have any advantages over the UN Security Council or other multilateral institutions in this respect. That it does not explain why major G20 members do not, at the moment, favor any G20 mission creep.

However, the G20 does have room to further explore widely defined economic issues, such as trade and investment, and energy and climate. These issues were integrated into the G20’s Strong, Sustainable, and Balanced Growth agenda at the Pittsburgh summit in April 2009. But again, until the economic cycle shows a clear, positive upward turn, financial issues will still dominate the G20 agenda. World development will shape the agenda more than the reverse. The evolution of the G7 and G8 is a natural process instead of a design.

DIVISION OF LABOR

The G20 is already playing a system organizer role in global economic governance by providing a political driving force from top leaders. It provides steam power and sets the direction. Existing international economic organizations—including the IMF, FSB, World Bank, WTO, and others—are supporting or implementing agencies. Generally these institutions welcome and have benefited considerably from the G20’s efforts.

The relationship between the G20 and the United Nations (UN) needs more attention. Although the G20 is three times larger than the G7, it is still strongly criticized for its lack of representativeness. Effective cooperation between the G20 and the UN could offset this concern, given that the latter provides the most legitimacy. The Seoul summit in 2010 formalized the participation of the UN in the G20 process, but evidence of real interaction between them is called for.

The G8 is still an important platform for global governance. Its members are the origin and center of this crisis, and they have an important role to play in seeking the way to exit from it. The G8 can still discuss economic issues as long as doing so can resolve its members’ internal major problems. But this is less and less the case. That the G20’s formation and upgrading were all creations of the G8 members means that the two mechanisms are complementary rather than adversarial. The G20 is indispensable in seeking global solutions. It is also a place for emerging economies to express their concerns. Therefore, if the restructuring of the world economy does not reverse, the G8 will slowly, and by choice, narrow its agenda to security issues.

Perspectives from Indonesia on the 2013 G20 Summit

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Indonesia is likely to continue to push in 2013 for its infrastructure investment (and connectivity) initiative at both the next G20 summit, in Russia, and the next Asia-Pacific Economic Cooperation (APEC) summit, which Indonesia will host. The agenda of the G20 summit in Australia in 2014 will likely be drawn from both. The Indonesian government's initiative was introduced with two objectives: to aid the global economic recovery by boosting domestic demand through infrastructure investment in emerging countries and to help rebalance the global economy.

During the Russian presidency, Indonesia will have a good opportunity to push further for its infrastructure investment agenda, though debt-stricken European G20 countries may reject the initiative. Russia is boosting its investment infrastructure by focusing on connecting East and West—Asia and Russia. This will have a significant impact on global connectivity and trade logistics. Indonesia should support Russia's expansion toward Asia because the latter will likely remain the (only) engine of the global economic recovery in the next few decades.

The Indonesian government has identified several issues in pushing for this initiative. First is financial flow. Deleveraging in the financial sector has led to the difficulties in extending long-term funding for infrastructure investment. Short-term funding, although easier to secure, will result in a maturity mismatch if extended to investment in infrastructure. Long-term funding is usually invested in Treasury bonds or other safe-haven instruments in developed countries. This phenomenon is deepening the global imbalance that is seen as contributing to the financial crisis of 2008. Moreover, although the potential of the Asian banking sector is huge, management and human resources as well as assessment capacity are still not as good as those of the European countries and the United States. If investment financing is to be discussed, the financial sector in Europe and the United States needs to be targeted.

The second issue relates to creating buy-in from developed countries. Since it was first proposed, infrastructure investment has garnered little support from the G8 countries because the focus of developed countries is on financial-sector stabilization and fiscal consolidation. Furthermore, if the initiative is not endorsed by the G8, it is not likely to be accepted by the G20. Indonesia therefore needs to take care to craft a win-win solution.

At the 2013 G20 summit, Indonesia should also push for progress in energy and food security. Discussion of energy issues should move beyond efficiency and include, in particular, security of supply. Russia's ability to influence global energy security is huge. It is the largest gas exporter and has for some time been the world's largest oil producer. It alternates with Saudi Arabia as the largest oil and oil products exporter.⁴ With the Rosneft takeover of Russian oil producer TNK-BP, Russia's visibility as the most important energy player is even greater, as Rosneft is now the largest globally publicly traded oil corporation in terms of output. Moreover, even though Russia is not a member of

the Organization of Petroleum Exporting Countries, it influences international crude oil prices. With so much power over oil and gas supply, Russia can play a part in global energy price stability.

Indonesia should also push for progress in food security. Russia is the third-largest wheat exporter and a major exporter of many other grain products, and can therefore contribute significantly to a stable global food supply. The focus on food security remains integral given this year's poor grain harvest. Specifically, the question is whether Russia will ban wheat exports to ensure that local goods prices stay low and local demand is met.⁵ It is critical that Russia remains open in regard to its food export.

Russia is a natural venue in which to lead discussions for finding solutions to these two issues. That said, new inventions in shale gas technology may mean that in years to come, energy security is less of a concern.

Indonesia should also make sure that Russia continues the G20 development agenda. As the co-chair for development after 2015, Indonesia should also do what it can to ensure that this agenda is in line with the G20 development framework, and vice versa. On a related note, Indonesia should raise the matter of income disparity. Between 2006 and 2011, Russia and Indonesia have shown the highest increase in their Gini indices.⁶

Indonesia should also urge Russia to continue what Mexico did well: engage with G20 partners, third countries, international and regional organizations, civil society, the business community, think tanks, and academic institutions in the run-up to the summit and over the course of the leaders' meeting. Progress toward creating a G20 accountability mechanism should also be carried forward.

Notes for the Russian Presidency of the G20

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As a global governance forum that compensates for America's declining capabilities and legitimacy as a principal rule maker, the G20 is thriving. The group is adjusting and conforming to both contemporary power distributions and an implicit hierarchy of powers. Just as the global distribution of capabilities is unstable and shifting, so is the G20 as a governance body as it confronts global challenges with the legitimacy garnered via the consent of its members. It remains to be seen whether this legitimacy remains as the forum addresses broader issues.

Nonetheless, demand is growing for a global governance institution to cope with twenty-first-century phenomena, in two respects. First, global governance should accommodate new nonstate actors that play a significant role in international affairs. Financial institutions, corporations, professional organizations, and global advocacy groups all significantly affect outcomes. Similarly, trans-governmental networks perform important functions in highly technical areas, such as finance, that call for technocratic responses by technocratic bureaucrats.

Second, financial issues intersect with other, new issue areas. Amid the current global recession, it has become apparent that financial issues are linked to trade, development, environment, and commodity price fluctuation, leading to geopolitical issues. The existing, functionally divided governance institutions such as the International Monetary Fund and World Bank find it difficult to handle the expanded and complex scope and depth of contemporary interdependence.

To meet these challenges effectively, global governance should expand its agenda to address them all and take on a networked character: scalable, responsive, and informal. It should be more flexible in terms of membership and agenda setting and serve as a forum for experimentation or one for developing best practices when confronted with new complex problems. In this sense, aiming for formal institutionalization of the G20 is not a productive direction. The group should instead maintain its current form as an informal forum.

Twenty-first-century global governance reflects both traditional (power-political) and new (networked) characteristics of international institutions. The United States, reluctant to surrender global leadership, appears to take a more ad hoc approach, favoring a more networked body that varies in membership depending on issue area. The European Union, already institutionalized, attempts to impose its practices on the G20.

Because of the issue linkages relating to financial stability, the G20 will be an appropriate forum that functions as a meta-institution over individual institutions like the IMF and World Bank and deals with the cluster of issues comprehensively. And currently, it is the only entity that can deliver the necessary political leadership to fulfill this role.

G20 Openness, Inclusiveness, and Legitimacy

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In the wake of the 2008 financial and economic crisis, the G20 has become the major entity of global economic governance. The group assumed the role of the primary body for consultations and decision-making with regards to crisis response, because existing international organizations and institutions were unable to address immediately and effectively the biggest challenge the world economy had faced for many years. Although the group officially has no power to make decisions, the G20 summits, especially since the elevation of participants to head-of-government and head-of-state level, have served as venues for discussing and defining ways to effectively address the fundamental problems related to the crisis. In September 2009, effective cooperation on crisis management led the G20 to label itself the premier forum for international economic cooperation. This self-perception, together with the divergence of positions on such sensitive issues as monetary and exchange rate policy and ways and means to deal with imbalances in the world economy, raises the question of the future of the G20 as a major actor in the global economic governance system.

IMPROVING INCLUSIVENESS

The basic concern with respect to the future of the G20 is its composition. Composed of systematically significant states—the biggest industrialized economies and rising emerging powers—the G20 is more representative than the G8. The “replacement” of the G8 with the G20 solves, to a certain degree, the dilemma of nonrepresentativeness that haunted the G8. In addition, the limited number of group members enables constructive discussion and increases opportunities for agreement. This in many cases seems hard to achieve in democratic bodies such as the World Trade Organization, which has more than 150 members and in which each country has one vote and possesses the power to block any decision. However, the composition of the G20 and criteria for membership are under debate. Because decisions made at the forum have consequences for the economy worldwide, countries not present at G20 summits have more and more interest in the G20.

Members of the G20 are meant to represent different regions of the world. Nevertheless, members speak mostly on their own behalf, not on behalf of the region they theoretically represent. To improve cooperation between regional and global efforts, be more inclusive, and listen to the opinions of nonmember countries and at the same time stay effective is a serious challenge for the G20.

The European Union—a G20 member—is an interesting case of how inclusiveness can work. Membership of most EU states in the G20 is unlikely, mainly because of complaints that the EU is already overrepresented in major international institutions, including the G20. The only way to further non-G20 EU member interests in matters addressed by the group is through their EU membership. A well-developed consultation process in the EU allows the body to achieve (at least on paper)

this inclusiveness on the European side. Obtaining the same results is much more difficult, however, for countries in other regions. There, the G20 member country in the region has neither formal obligation to undertake regional cooperation on issues linked to the G20 agenda nor any obligation to listen to concerns of regional partners and to present them at the summits.

Various mechanisms have been used to increase the inclusiveness of the G20. Permanent guest status is an interesting way to involve countries keenly interested in being part of the body. Only Spain has been granted such status, and it has participated in every G20 summit since. However, the G20 presidencies have opted for a different method to increase inclusiveness—inviting additional countries to the summits on an ad hoc basis. However, the role of these additional countries and their influence on the final summit communiqué remains unclear.

Upcoming summits should address that problem in thorough discussions about enhancing the group's inclusiveness. There are several options toward that end. One is the establishment of a mechanism of regional consultations to hear the opinions of nonmembers. Such consultations could lead to a mandate of some kind to be presented at the G20 summit by a representative of the region. Another option is the mechanism of a rotating observer status for countries in different regions. Such countries could then be invited to participate in the summit, forming the so-called outreach group (not unlike the Outreach 5 group invited to G8 summits). Another option is participation of non-G20 countries in nonsummit meetings. Extending invitations to ministerial meetings to nonmembers is also worth considering. The inclusiveness of the G20 would be enhanced if participation in the working groups were open to any country willing to take part in a discussion on a given topic. Moreover, by participating in G20 working group activities, nonmembers might find the opportunity to voice their opinions to G20 members. Nonmember representatives should also be encouraged to participate in the meetings of the T20 (the G20 think tank meetings) and B20 (the G20 business summits) and other forms of nongovernmental cooperation. In this regard, the initiative of the Mexican presidency to appoint a special representative responsible for exchanging views with groups not directly represented in the G20—such as nonmember countries, international organizations, civil society, academia, and the business community—is worth continuing.

THE LEGITIMACY QUESTION

Enhancing inclusiveness should strengthen the legitimacy of the G20. As a self-appointed body with restricted membership, its decisions, even if informal, have consequences for the rest of the world. On the other hand, the G20 neither reports to nor is responsive to any other body. As the portfolio of issues discussed at the G20 summits extends from strictly financial and economic areas to development assistance, food security, climate change, and other global challenges, the role of the G20 in international affairs could increase. This raises the question of possible relations between the G20 and the United Nations. The G20 includes the most important states in international affairs, but for the G20 to address social and political issues, the body would probably require endorsement from a universal institution like the UN, whose legitimacy is unquestionable.

The UN is at the core of the global governance. Therefore, it seems that support from the UN could increase the legitimacy of the G20. It would thus be advisable for the group to discuss a mode of cooperation with the UN, an organization with universal membership. The G20 limits membership to the most economically dominant states and addresses problems more swiftly and effectively than the UN General Assembly. This makes the G20 an attractive partner for the UN.

A G20 of systematically important countries could serve as a forum to iron out agreements on important issues that could then be delivered to the UN for deliberations, providing powerful stimulus for action. To make the cooperation between the G20 and UN more effective, the UN secretary-general, as a representative of the 170-plus UN-member countries, could attend G20 summits, in part to voice the concerns of even the poorest countries. Working out an effective and mutually acceptable relationship between the G20 and the United Nations is instrumental to enhancing the legitimacy of the G20 and possibly increasing the effectiveness of the UN.

AN IMPERFECT BUT NECESSARY ACTOR

The G20 has no tangible resources, such as a permanent secretariat or staff, to support its activities and monitor progress toward commitments. It seems, however, that it is too early to undertake further steps toward institutionalizing the body. The G20 has established productive relations with leading international economic organizations and institutions, serving, like the Organization for Economic Cooperation and Development, as an analytical platform. International economic bodies have so far been instrumental to the G20 in addressing the financial crisis, in that the summits produced a set of guidelines and tasks for the IMF, World Bank, Basel Committee on Banking Supervision, World Trade Organization, Organization for Economic Cooperation and Development, and Financial Stability Board. Such cooperation has been so far fruitful and beneficial not only for the G20 members, but also for other countries. It should be continued and strengthened.

One of the weaknesses of the G20 is the lack of governance within the group, in that it has not yet established a transparent decision-making system. Moreover, in the context of divergent opinion on such issues as monetary and exchange rate policy or global economic imbalances, the need to reach consensus and unanimity leads to decisions that are the lowest common denominator of individual members' positions. It is difficult to imagine a quick resolution of these issues. In the short term, the G20 will likely perform below what are now high expectations. Nonetheless, in what is still a highly unstable global economy, it would be difficult to live without the G20—a forum that, following the most frequently quoted statistics, represents 90 percent of global gross domestic product, 80 percent of international global trade, and 64 percent of the world's population. Enhancing legitimacy, inclusiveness, and openness of the G20 by involving countries and organizations that are not G20 members might help make the entity a more effective forum.

Moscow Meeting

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PRIORITIES

As Russia assumes the G20 presidency, the finance ministers and central bank governors' track remains essential and should be the primary focus in Moscow. The short-term agenda of stabilizing the global economy should remain a top priority, given the ongoing challenges, particularly within the eurozone and regarding U.S. fiscal policy. The longer-term structural reform agenda related to macroeconomic rebalancing needs to frame this shorter-term discussion. An important pillar of the longer-term agenda is the mutual assessment process led by the International Monetary Fund, which G20 member states need to firmly commit to and plausibly implement within realistic time frames, thus leading by example. The numerous financial regulatory reform initiatives must also be retained high on the agenda. The ongoing process of reforming the IMF is of substantial interest to emerging markets in general and to Africa in particular. This issue should continue to receive priority attention leading into and in Moscow; otherwise, the legitimacy of the institution will suffer.

In addition, the global trading system should receive greater priority than it has to date. Stress on the World Trade Organization is increasing as the number of trade disputes escalates. These disputes connect to a number of issues on the G20 agenda, such as food security (agricultural export restrictions and biofuels), climate change (renewable energy subsidies), and macroeconomic coordination (exchange rates). The trading system has the WTO at its apex, but this institution faces a major existential crisis and requires renewal. The G20 is uniquely placed to provide political direction to the WTO. In Mexico, G20 trade ministers met for the first time as part of the preparatory processes leading into the heads of state summit. This momentum needs to be retained and built upon. Central to this is forging a realistic and meaningful agenda, which in turn requires a longer-term focus than the Doha round. Russia has just joined the organization and is thus well placed to convene a G20 discussion on an over-the-horizon agenda regarding the future of the WTO. This agenda is best dealt with under the Sherpa Track, because trade is not a finance minister or central bank competency.

From an African perspective, three issues are critical, primarily in the Sherpa Track, and should be prioritized:

- *Food security, encompassing agricultural research, food prices, biofuels production that affects food prices, and norms or disciplines to govern large-scale land purchases in Africa.* Trade issues that should be explicitly discussed include export subsidies, the small matter of resolving the Doha round to guarantee that all agricultural subsidies are better disciplined, and ensured greater market access for food products.

- *The broadly defined development agenda of the development working group.* Major issues for Africa are infrastructure financing and trade matters pertaining in particular to the least developed countries, notably duty- and quota-free market access to developed and major emerging country markets.
- *The climate change agenda, which remains of central concern to African countries.* This connects to energy security, a matter of considerable importance to Russia. The primary issue from an African perspective, however, is the means to adapt to climate change, in terms of which the mooted climate fund needs to be established and resourced.

SHORTCOMINGS AND REFORMS

One of the major obstacles to the G20's effectiveness is at the same time a source of its relative success: the inclusion of systemically significant emerging markets in informal global economic governance leadership. Many of these countries face major domestic development challenges, which constrain their participation in the group and their ability to assume active leadership positions. However, in time, this imbalance should correct itself as these emerging markets develop their economies and grow into their roles. As this happens, contestation over ownership of the major global economic governance institutions will surely intensify, and western countries' desires to retain their prerogatives, in international financial institutions in particular, will move more firmly into the spotlight. It is to be hoped that this contestation will not paralyze those institutions. At the very least, it will compel emerging market countries aggrieved by perceived intransigence on the part of western powers to establish their own parallel structures, such as the mooted Brazil, Russia, India, China, and South Africa (BRICS) development bank. It has already resulted in Asian countries' massive accumulation of foreign exchange reserves, in large measure owing to their distrust of the IMF. That has in turn fed macroeconomic imbalances.

The solution to resolving this issue is to pursue ongoing and meaningful reform of the institutions central to implementing global economic governance. One practical but deeply political suggestion is that the eurozone rather than the European Commission should be directly represented in these institutions and potentially in the G20 itself, instead of its three core member states, other European states, and the European Commission. This will become particularly urgent as the eurozone moves toward some form of fiscal union. Related to this, other rising powers from different regions of the world need to be included in G20 processes—first as permanent observers, as Spain seems to have become, and later through limited membership expansion. From an African standpoint, Nigeria and Egypt stand out as two potential candidates. At the same time, representative regional organizations—in Africa's case the New Partnership for Africa's Development and the African Union—should continue to be included in G20 processes as observers to secure the G20's broader legitimacy.

Another obstacle and potential source of strength is the division of the G20 process into two parallel tracks. This gives rise to forum shopping across the summit architecture, which means that issues take longer to resolve. Meeting this challenge is primarily a function of political management, but the problem also relates to agenda expansion. The more issues added to the G20 agenda, the greater the potential for complexity, and therefore forum shopping. In the longer term, this problem speaks to the need to establish an effective, and neutral, G20 secretariat.

A third issue pertains to monitoring commitments and, the flip side, transparency in their implementation. Fulfillment will always be subject to ineffectiveness when no sanctions apply to members who do not live up to their commitments. However, establishing an effective enforcement mecha-

nism within the G20 would irrevocably change its character and render states reluctant to subject themselves to collective decision-making. Therefore, the best available recourse is peer review, with a position of naming and shaming serial offenders.

Currently such peer review processes are not operating effectively at the global level. The IMF's mutual assessment exercise process is still in its early days, and it is not clear how widely accepted its findings are among the G20's membership. Nor is it clear how the process relates to Article IV consultations. A large part of the issue lies in the major economies, because if they do not accept the IMF's findings and recommendations, other states are likely to follow their example. Furthermore, if this process is not operating optimally at the G20 level, it is difficult to foresee how non-G20 member states would volunteer for such peer review processes at regional and national levels. Therefore, the means for obtaining an effective oversight function lies in the hands of the major economies.

Because the G20, being an informal club, has a broader legitimacy problem, these exercises must be conducted in the open. The transparency would promote the G20's external legitimacy and increase implementation efforts. The monitoring would need to be done primarily by international organizations, but involving civil society in the process would increase the legitimacy of the exercise.

In this regard, the South African Institution of International Affairs, together with the Centre for Human Rights at the University of Pretoria, is in the process of establishing a methodology for assessing implementation of G20 commitments as they pertain to African interests in global economic governance. Such independent initiatives add to the stock of knowledge on the G20 and ultimately enhance its credibility.

Given current dynamics, it is difficult to see what role a G20 secretariat could presently play other than in processing documentation and preparing agendas. Although it could, in principle, assist emerging market states with inadequate capacities to properly fulfill their G20 mandates, secretariats are inevitably exposed to politicization and therefore manipulation. It is thus difficult at the moment to foresee these emerging market states turning to a G20 secretariat for support. Furthermore, such states need to build their capacities to properly engage in G20 processes: what is the point of their membership otherwise? Finally, secretariats can become gatekeepers, adding an additional layer of bureaucracy to an already complex and forum shopping–inflicted process. This could threaten the informal character of G20 summit processes. However, if the legitimacy problems described were to be overcome, then a G20 secretariat would be more feasible, and even desirable.

THE G20 AGENDA

Because the G20 claims to be the top institution for global economic governance, it should restrict its deliberations to issues of systemic economic importance. Clearly, macroeconomic policy coordination and financial regulation are central to this. However, given the fracas over exchange rates and their effect on trade, the latter should be specifically built in as a core pillar of G20 deliberations. Including trade in the discussions links to a range of other related issues, including climate change, investment, energy, employment, and so on. These issues should continue to be tackled on a case-by-case basis. The glaring absence from G20 discussions, however, is meaningful engagement around a broader, over-the-horizon trade agenda.

A broader development agenda remains critical to African concerns, and effectively dealing with this would boost the G20's legitimacy substantially. Because the G20's development working group is at something of a crossroads, the Russian presidency should ensure that enough space is given to

this discussion to forge agreement on the group's mandate—or at least to maintain this discussion into the Australian presidency and beyond.

Political discussions, particularly complex security matters, need to be dealt with elsewhere, since they will quickly distract leaders from the mundane and economically technical matters suggested here.

SYSTEM ORGANIZER ROLE

In principle, the G20 is fully capable of serving as system organizer for global governance. In practice, however, it suffers from both internal (relations among member states) and external (relations with nonmembers) legitimacy deficits.

The internal legitimacy problem relates to mutual suspicions among members regarding relative power, prerogatives, and responsibilities. This is compounded by lack of trust among several important states, notably the United States and China. Related to this, G20 member states do not have a common approach to the values that should underpin global economic governance. The default impulse is therefore to resort to power politics to sway other members. A logical solution, in theory, is to forge common approaches to global economic governance values. In practice, a successful outcome is difficult to envisage, owing to major divergences in economic and political philosophies. Nonetheless, the attempt should be made, perhaps under the rubric of a global charter, as opposed to the Atlantic charter, which remains a guiding ethos underlying the Bretton Woods institutions.

The external legitimacy problem is unlikely to ever be resolved, given that the G20 is by design an exclusive club. Nonetheless, more can be done to promote inclusion of other states, organizations, and civil society. Sincere efforts to do so will also help to promote buy-in, and would therefore enhance the G20's effectiveness. Such processes need to be conducted as transparently as possible to promote convergence on solutions and to provide positive feedback into G20 deliberations.

DIVISION OF LABOR

Although the BRICS grouping is quite new and faces formidable coordination challenges, that it exists and is beginning to establish some commonalities means that this grouping needs to also be considered a significant actor vis-à-vis the G20. Other formations will no doubt emerge over time.

At the core of the G8 is the G7. It is not obvious to outsiders how Russia fits within the G8, given that the major economic and financial power, and convergence on democratic values, resides within the G7. The G8 is better suited to security and political discussions than to economic ones. Therefore, the critical issue may be how the G7 relates to the G20. Because the G7 rather than the G20 seems to have played a leading role in resolving the eurozone crisis, perhaps the G7 retains an important role as a quick-acting, relatively like-minded crisis response group. However, this raises important questions about the commitment of the G7 to the G20. The more the G7 states bypass the G20, the more they will encourage China, the BRICS, and others to do the same. This will make for a difficult balancing act.

In this light, another question is when the G20 can be used most effectively. Perhaps as the crisis recedes, the G20 should become the core custodian of the longer-term reform and coordination agendas. In time, however, the G7 will become no more unusual or special than, for example, the BRICS meeting to coordinate on issues of common interest.

G20: Ideas for the Russian Presidency and Beyond

Global Relations Forum, Turkey

Today's global system problems affect the human population in its entirety. However, because the global population is politically organized around sovereign states, understanding of systemic problems and design for solutions need to be constructed by aligning the interests and priorities of the fragmented subsystems. Attempts to force structures or policies against national governments' tendencies or mistime otherwise politically agreeable initiatives will most probably be thwarted.

As global governance structures evolve, nation states may be persuaded or at times embarrassed into action, but they are rarely obliged to act against their will on a sustained basis. Sporadic crises in the short run and shifts in the underlying preferences of populations in the long run can align the interests of political leaders and hence expedite the deepening of global governance.

The G20 is an important undertaking as a relatively recent governance initiative, but the underlying dynamics of member state politics should be kept in mind when calibrating expectations and pacing its progress.

GUIDELINES FOR SHAPING THE G20'S AGENDA, CREDIBILITY, AND EFFECTIVENESS

- *Obtain postcrisis consensus and policy action.* The natural alignment of national interests during global systems crises can be channeled into durable concrete policy action and lasting institutional competence. However, even after crises, tenuously supported common action should not be forced. Reluctant national enforcement would lead to ex post frustration of common purpose and to the eventual erosion of G20 credibility.
- *Manage an expanding agenda.* It is important to anchor and structure the expanding agenda around modest but relevant objectives that do not necessarily require immediate joint action. The anticipation of well-defined crises may prove useful in anchoring the rapidly expanding G20 agenda. Although nations may not be ready to take preemptive action on adverse global trends, they may be willing to invest in common contingency planning in strategic global systems that can be readily deployed in case of a crisis.
- *Build public consciousness of global interdependence.* The G20's visibility and profile can be leveraged to build public consciousness of the global system problems and choices. In the long run, public consciousness of the problems is likely to be the most effective force for mobilizing and legitimizing national policy action on global issues.

In brief, leveraging the natural alignment of political interests around crises in the near-medium term and focusing popular consciousness on global challenges in the longer term are both necessary elements of deepening the G20's enduring authority and effectiveness. These three broad themes can be put into action in the coming year under the Russian presidency of the G20.

POSTCRISIS POLICY

The need for the G20 crystallized in the aftermath of the global financial crisis as the group was able to mobilize the aligned interests for joint global action. Significant progress was made in a range of areas, including the establishment of the Financial Stability Board, the rapid advance of the Basel II.5 and III regimes, and national resolution regimes of global systemically important banks (GSIB). However, progress has been gradual and uneven on a range of critical issues, including shadow banking, cross-border GSIB resolution regimes, and consensus on reforms in over-the-counter (OTC) derivatives.

It is important to identify and address the reasons for delays in these areas, which may be due to the usual difficulties in coordinating national bureaucracies or may possibly stem from more fundamental divergences in national priorities. The former would justify a more active G20 presidency in pushing for these reforms. The latter would require a guarded activism that would be ready to retreat if the divergences are unbridgeable.

There may indeed be fundamental divergences. In the aftermath of the crisis, most western authorities understandably have a regulatory bias. In a potential trade-off between financial stability and growth, they are likely to favor the former until a new balance is struck. However, nations that avoided excesses in their financial sectors before the crisis are unlikely to have such a clear preference. This is especially true if financial regulation is perceived to be the main culprit in compromising high economic growth that some of these nations are accustomed to.

It is critical for the Russian presidency to identify and address such conflicting priorities among G20 members. Otherwise, prolonged and inconclusive G20 negotiations on certain financial regulatory measures will erode the credibility of future policy initiatives. Alternatively, forcing a reluctant consensus among members and then facing selective enforcement of agreed norms would be even more detrimental to the G20's long-term standing.

The Russian presidency should therefore aim to conclude the remaining financial regulatory discussions that got under way after the crisis. Areas of jointly committed action should be rapidly implemented. Any policy area of fundamental disagreement should be recognized and any possible retreat from previously agreed-upon ambitious policy action should be addressed with candor.

Maintaining clarity of shared purpose and establishing credibility to deliver on shared purpose are important assets for the G20's long-term relevance and should not be eroded.

EXPANDED AGENDA AND EXPANDED OUTPUTS

Although the world faces many challenges beyond the financial crisis, from climate change to food security, none of them seem to have yet matured to the stage of aligning and focusing national interests for joint action. Actual crises bring interdependence into focus and propel action, whereas simmering global problems play second fiddle.

The G20's agenda has nevertheless expanded beyond financial regulation in the past few years. Bringing globally critical issues—such as food security, the green economy, development, and poverty—to the attention of the G20's leadership is clearly useful in raising their profiles. Deriving concrete action has proved difficult, however.

A shared understanding of what is to be achieved by expanding the G20 agenda to global challenges that do not have the focusing power of crises is critical. If the purpose is to achieve concerted

policy action, as in the finance domain, the aspiration is likely to remain unfulfilled. It may be well advised to calibrate expectations by grouping these agenda items explicitly under a G20 output other than joint policy action.

For example, agreeing on the necessity of global blueprints for action in the face of potential crises in global systems is a practically relevant and necessary intellectual exercise. Reaching a binding agreement on well-defined thresholds for joint action in central global systems would be a useful first step. Agreeing on blueprints of action when these crisis thresholds are reached in energy, food security, or environment would politically facilitate and expedite G20 action when the actual adverse developments occur.

Contingency planning in global systems is a legitimate agenda item that could engage the G20 and enhance its credibility and effectiveness in the long term. It would engender a much-needed sense of global preparedness that would reinforce the G20's global standing.

The Russian presidency should anchor the expanding agenda of the G20 around an agreed-upon output other than joint policy action that could streamline the agenda, encourage the member countries' enthusiasm, curb unrealistic expectations, and advance the G20's global standing in the long term.

Limiting G20 output exclusively to joint policy action constrains the potential benefits of the G20 forum. Contingency planning in global systems could be a possible route to expanding the G20's scope without eroding its credibility.

LONG-TERM DEMAND FOR G20 LEADERSHIP

Trying to manage and resolve complex global system problems by building consensus among national actors is a difficult process with limited success. Because politics is likely to be nationally organized in the foreseeable future, the ambitious but arguably most promising way forward is to shape a common understanding of global concerns across populations. To the extent that such concerns achieve popular traction, national policies on these issues will be more readily aligned.

The G20 can take an active role in building that public consciousness. The high profile of the meetings, with their broad global agendas, already serves that purpose.

However, a closer analysis of the disconnect between the national citizen and the global agenda as well as between national politics and the global agenda could lead to new ideas and issue areas. Simple initiatives may have an unexpected, favorable impact on public perception of global issues and therefore on demand for G20 leadership.

Creative use of media, shaping and motivating networks, and creating new metrics are all possible routes to cultivate a growing public consciousness of global interdependence. For example, how people measure the world is an important determinant of the ensuing political choices. People's ideas are shaped and guided by metrics used around them. Most current metrics of social well-being are national: gross domestic product growth, employment, poverty, health, and education levels—all shape national political discourse.

Devising and introducing simple metrics of global well-being into the global popular discourse could have a profound impact. Simply promoting the international counterparts of national measures may not necessarily lead to a deeper consciousness of global dynamics. Intellectual effort would also be needed, to devise new metrics and advance narratives of global interdependence. New metrics could, over time, reshape the public's awareness, global choices, and national politics.

How the world is measured and numerically expressed may appear to be a detail for the G20. However, initiatives that bridge the gap between individuals and global challenges are likely to have a more lasting effect on the G20's popular standing than will the grand politics of global crises. The mere articulation of the G20's intent to bridge the gap between citizens' concerns and global challenges would in itself provide a necessary layer of legitimacy to the G20 in the global public consciousness.

Crisis-driven legitimacy is likely to provide sporadic surges in the G20's standing, but a secular trend of increasing legitimacy will demand popular global recognition of the need for its services.

Russia and the G20

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Russia occupies a unique place among the G20 in that it is also a member of both the G8 and the newly created BRICS, the association of Brazil, Russia, India, China, and South Africa. As a continental nation that straddles Eurasia, Russia has also tried hard, especially in recent years, to develop a Euro-Pacific approach to its international role.

This duality to Russia's G20 personality could be a source of strength. Russia has the potential to act as a bridging power, both between the advanced and emerging economies and between Europe and Asia. Russia should leverage its unique position of being at both the BRICS and G8 tables to seek positive-sum outcomes at the G20.

Clearly, being on both sides of an increasingly sharp dividing line between the G8 and the BRICS on matters of global economic governance presents a challenge to Russian diplomacy. Russia risks losing credibility in one group if it pushes an agenda more consistent with the other's interests. It also has a mixed track record in terms of using its strategic position between the West and "the rest" to advance global public goods. In recent years, Moscow has put forward constructive and interesting proposals on international finance and nuclear security, but it often indulges in geopolitical gamesmanship, at times siding with the BRICS purely to balance the West. In today's interconnected world, such tactics are unlikely to be successful.

How Russia, as the host, shapes the agenda for the 2013 G20 summit in St. Petersburg could therefore define the role Russia will be able to play in the G20 in the future.

PRIORITIES

In answering the question of Russia's priorities for its G20 presidency, President Vladimir Putin said in fall 2012, "The agenda for the next summit, which will take place in St Petersburg in autumn 2013, will be determined by developments in the global economy and the situation in international finances. . . . The G20's decisions concern all countries in the world, and the G20 members thus cannot let themselves be guided only by their own positions and interests." He then proceeded to list the following as central issues for the summit:

- reforming the international currency and financial system
- strengthening international financial institutions and financial market regulation
- advancing discussions on global trade and development assistance
- completing the Doha Development Round of multilateral trade negotiations
- moving forward the conversations on energy security and climate change

Clearly, these items on the summit agenda are priority issues for other BRICS countries as well.

In most other international organizations, Russia has inherited its present status as a privileged insider by virtue of taking on the international legal rights and obligations of the Soviet Union. However, in the international financial institutions, like the IMF and the World Bank, Russia is a relative newcomer—it joined in 1992, but became a donor only in the past decade—and therefore has a stake in their restructuring.

If the shareholding in the IMF and World Bank has not already restructured by the fall of 2013, it will be an important item on Russia's agenda, and understandably so. Russia has joined with fellow BRICS in calling for an increase in the BRICS' share.

Having completed its World Trade Organization (WTO) membership procedures this year, Russia will be able to influence the global trade agenda for the first time. The issue of completing the Doha Development Round of WTO negotiations may find traction in 2013 well before the St. Petersburg summit. If the new U.S. administration cannot demonstrate more flexibility on some of the outstanding issues in the talks, progress on Doha is unlikely before the G20 and therefore should be addressed at the St. Petersburg summit. That said, Russia's interests on trade diverge significantly from its fellow BRICS; its main exports are commodities, particularly hydrocarbons, many of which are not governed by WTO rules.

Finally, most countries, developed and developing, want climate change negotiations to be accelerated by the G20 leadership. Indeed, the G20 should play a more active role in bridging the North-South and East-West gaps on climate change, though there is considerable resistance to this idea—from within the G20 because of concerns about overloading the G20 agenda, and from outside countries that want their voices heard but do not have a seat at the G20 high table. On climate change policy, Russia has failed to demonstrate leadership, despite having much at stake in the debate.⁷

Whether the G20 should take any meaningful steps forward on such multilateral issues has become a contentious topic. Apart from genuine intellectual differences on the role the group should play, the grievance of countries outside the G20—that they are being left out of these discussions—has made the G20 more cautious.⁸

ACHIEVEMENTS AND DISAPPOINTMENTS

The consensus is that the G20 acquitted itself creditably in its first three summits—in Washington, DC (November 2008), London (April 2009), and Pittsburgh (September 2009)—by showing solidarity in dealing with a global financial crisis and taking concrete steps to boost growth, inject liquidity, stabilize markets, and generate positive investor sentiment. The sharp V-shaped recovery in global growth in 2009 and 2010 is often attributed to this phase of decisive intervention.

However, it is also widely believed that G20 members have since failed to work together to advance the Pittsburgh Framework for Strong, Sustainable, and Balanced Growth. The G20's effectiveness has been limited by the fact that it did not absorb the G8, G7, or BRICS; instead, these groups continue to meet separately and, within the G20 context, often act as competing blocs.

One way in which the G20 can respond to its critics is to take the Pittsburgh agenda forward: accelerate the pace of restructuring multilateral institutions, restore momentum to WTO talks, and discourage countries from pursuing beggar-my-neighbor trade and currency policies.

SHORTCOMINGS AND REFORMS

The main obstacle to the G20's effectiveness has been the domestic preoccupations of its leaders. In 2008 and 2009, the sense of crisis that gripped the leaders enabled them to make bold decisions and ensure their quick implementation. However, the initial V-shaped recovery in global growth induced complacency in completing implementation of the Pittsburgh framework. Moreover, the domestic political preoccupations of most G20 countries, especially the United States and the eurozone economies, as well as their unwillingness to share their control over multilateral institutions in favor of emerging economies, diminished the early solidarity of the G20.

The G20 does not, in fact, have a mechanism to monitor the implementation of its decisions. Moreover, the trend of G20 host countries seeking to impose their own priorities on the agenda and invite guest members has diffused the original spirit of the early summits. It is not clear, however, whether the creation of an institutional arrangement, including a permanent secretariat, will resolve this problem. Several plurilateral groupings with full-time secretariats, such as the Commonwealth of Nations, have not had any greater success in implementing summit-level decisions than the G20 has had so far.

THE G20 AGENDA

The emerging consensus within the G20 is that its agenda should be restricted to global macroeconomic coordination and financial regulation. Apart from the fear of overloading the G20 agenda, the advocates of this more modest approach believe that the unrepresentative and ad hoc character of G20 membership weakens its ability to deal with the more long-term policy issues of concern to the international community. Crisis management is more amenable to summit-generated solutions than are systemic issues or structural reform of the global economy.

However, one way in which the G20 can become more representative and, therefore, more effective is for existing members to consult regionally with other countries and present those shared perspectives on issues such as climate change. This would make the G20 a more politically representative forum, not just one of economically dominant countries. Unfortunately, individual member countries are increasingly voicing their national views at G20 meetings, rather than seeking a global consensus around shared concerns.

DIVISION OF LABOR

The IMF and World Bank are shareholder-driven organizations, rather than international ones like many in the UN system and even the WTO. The G20 includes almost all the major shareholders of the IMF and the International Bank of Reconstruction and Development, who have significant influence over both organizations. Although the internal argument to restructure shareholding in both these organizations continues, the G20 does not need to reckon with dissent from non-G20 countries on policy issues pertaining to these organizations.

Even the WTO can be guided by the G20, though to a lesser extent, because the G20 includes most of the WTO's "green room" members—the major policy-shaping countries within the WTO—and the WTO director-general is an invitee to the G20. However, the same cannot be said about other global negotiations, especially climate change, because a large number of non-G20 countries, no-

tably the island nations and the Scandinavian countries, have an enormous interest in climate change negotiations.

If the G20 emerges as an effective and active forum for global consensus-building on economic policy issues, forums such as the G7, G8, and BRICS should dissolve themselves. However, as long as the differences persist between advanced and emerging powers on global governance issues, these subgroups will continue to seek alternative visions within the G20. In addition, other cleavages, particularly on models for addressing the crisis, still cut across these dividing lines and create strange bedfellows, such as Germany and China, on issues regarding the role of government spending in spurring economic recovery.

Russia's challenge lies in retaining its status in the G8 and the BRICS while seeking solutions to bridge the policy gaps that divide them. This will not be easy, but Russia has the advantage of having equities in international economic issues that do not overlap neatly with either grouping.

Priorities and Challenges for the Russian G20 Group Chairmanship

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When the Russian Federation assumed the rotating chairmanship of the G20 on December 1, 2012, it inherited a body struggling to define its mandate and reconcile the diverse viewpoints of its membership. During the depths of the global financial crisis, the G20 showed impressive solidarity, taking dramatic steps to save the world from a second Great Depression. During the crisis, the G20 proved its value by helping set the global agenda, shape new international rules and norms, and address practical challenges of policy cooperation. As the global recovery has taken hold and national interests have come to the fore, however, the group's momentum has stalled. The question now is whether the G20 can serve not only as a short-term crisis manager but also as a longer-term steering group for the global economy. The Russian government can help the G20 navigate this difficult transition by taking several steps:

- embrace a G20 mandate to address both crisis management and long-term challenges
- craft an agenda to address items not being adequately addressed elsewhere and a foreign ministers' track parallel to the finance ministers' track to address these issues
- improve summit outcome and process by reaching out to relevant parties as well as bolstering the "troika" system to improve continuity across rotating G20 chairs
- strengthen the mutual assessment process to permit candid evaluation of G20 efforts
- integrate energy price volatility into the G20's efforts to feed the world's population

The G20 is the most important institutional advance in global economic governance since the end of the Cold War. As the only forum in which major developed and developing countries meet exclusively at the leaders' level, the G20 has the potential to encourage major powers to overcome entrenched "bloc" mentalities and deadlock on a wide range of global issues. The G20's emergence reflects a twenty-first-century reality: addressing global challenges will require mutual understanding and burden-sharing among the world's most influential players, both established and emerging. Yet, after displaying remarkable coherence during the 2008 credit crisis to prevent a global depression and tit-for-tat protectionism, the solidarity and effectiveness of the G20 have waned since 2010, with players divided on topics such as how to balance stimulus versus austerity in national recovery plans; how to rectify imbalances between chronic surplus and deficit countries; how to respond to the crisis in the eurozone; and how to manage the G20's growing agenda.

Still, the G20 has achieved some successes on global imbalances, financial regulation, trade policy, and monitoring commitments. Thanks to pressure from the United States, Brazil, India, and others, China agreed in Cannes in late 2011 to loosen control of its exchange rate. Its currency, while still undervalued, has appreciated gradually, easing some frictions. The Financial Stability Board, created

to replace the ineffectual Financial Stability Forum, has negotiated standards for global financial regulation and published recommendations to reduce vulnerabilities posed by systemically important financial institutions. Prodding by G20 leaders also facilitated the successful negotiation of higher capital requirements for major financial institutions under Basel III (though these will not take full effect for years).

The G20's performance on trade has been less praiseworthy. The main accomplishment has been to hold the line against protectionism: new discriminatory measures between 2008 and 2011 affected only 0.2 percent of global trade.⁹ On the other hand, as leaders conceded in Cannes, the G20 has done nothing to revive the WTO's moribund Doha Development Agenda. Finally, the G20 has endorsed a mutual assessment process designed to assess progress by G20 governments in advancing the Pittsburgh framework. To improve monitoring and verification, G20 leaders agreed (at times grudgingly) to bolster the IMF's surveillance role in evaluating national performance through a mixture of country reports and an overall global survey of G20 efforts.

To steer the G20 in a positive direction, the Russian presidency should establish the following priorities.

ADDRESS CRISIS-RESPONSE AND LONGER-TERM CHALLENGES

The G20 proved a critical convening forum for leaders to respond to the 2008 global financial crisis, and the body should remain prepared to coordinate multilateral responses to future global crises. As president, Russia should seek to ingrain in the G20 mandate that the group not only stands as a mechanism where leaders of the major economies can establish close working relationships and coalesce in emergencies, but also will endeavor to bridge the gap on longer-term questions such as global imbalances. The Russian government and the rest of the G20 membership should remain prepared, on an exceptional basis, to convene emergency meetings of G20 leaders outside the regular summit schedule to address extraordinary crises—such as a potential collapse of the eurozone or a banking insolvency on the scale of Lehman Brothers.

In terms of regional crises that threaten the global system, the G20 has encouraged donations to the IMF as a vehicle to shore up the eurozone crisis and also provided a forum for some of the world's most powerful leaders to pressure emerging regional powerhouses to overcome local differences. But generally speaking, the G20 should not aspire to solve regional crises.

CRAFT A BROADER AGENDA AND FOREIGN MINISTERS' TRACK

Among the biggest debates about the G20's future is whether it should hew closely to its initial macroeconomic and financial focus or instead expand its vision to address a wider array of issues on the global agenda. G20 finance ministries, which have dominated the process to date, are nearly unanimous in support of a narrow agenda, fearing "mission creep" will saddle the young institution with a sprawling list of tasks, diluting its coherence and effectiveness. Over time, however, leaders are likely to find the G20 an irresistible setting to address other critical global challenges, whether by conscious decision or the force of external events. That was certainly the experience of the G7 and G8, which gradually expanded their remit to encompass new issues from foreign aid to nuclear nonproliferation. (Indeed, G20 leaders hinted at such an expansion in their final communiqué at the G20's inaugural summit in Washington.¹⁰) Already, successive hosts have broadened the G20's substantive

agenda—adding the elimination of fossil fuel subsidies in Pittsburgh, embracing a new approach to development in Seoul, pledging to commodity price stability in Cannes, and committing to “green growth” in Los Cabos.

Going forward, the challenge for Russia will be to manage the G20’s expanding agenda so that it does not jeopardize the body’s crisis management capability, overwhelm the annual summit process, or jeopardize the informality that makes such a leaders-level gathering so attractive. The Russian government can accomplish these goals by taking three steps:

- *Create a permanent G20 foreign ministers’ track to complement the finance minister’s track.* To date, the G20 process has been dominated by finance ministers and central bank governors. Russia should build on the “informal” meeting of foreign ministers hosted by Mexico in February 2012 by adding a formal foreign ministers’ G20 track to address a wider range of global issues, including (eventually) political and security topics. Potential agenda items for this track could include climate change, development cooperation, nuclear nonproliferation, counterterrorism, cybersecurity, and anti-transnational crime efforts. While some of these items are discussed within the G8, that group omits emerging players like China, Brazil, India, and Turkey that need to be part of such conversations.
- *Sharpen the agenda of the finance ministers’ track.* Creation of a foreign ministers’ track would permit G20 finance ministers and central bank governors to focus narrowly on their core mission of promoting global growth, improving financial regulation, and advancing governance reforms within international financial institutions. A more tightly focused finance ministers’ track would also be better positioned to fulfill the G20’s crisis response function for the global economy.
- *Raise the bar for including new items on the actual G20 summit agenda.* Much of the G20’s substantive work can easily be delegated to mid-level officials and working groups. (Such a lattice-like, transnational network of government officials has already formed). Items should be raised to the leaders’ level only on rare occasions—notably, when the issue requires a high-level decision and when no existing global institution has already seized of the problem.

IMPROVE THE SUMMIT PROCESS AND OUTCOMES

The Russian government should also use its chairmanship to engineer a streamlined summit that is not only effective but enjoys significant buy-in from the international community. In particular:

- *Keep the summit as informal as possible.* Leaders-level summits are most valuable when they provide opportunity for candid conversation among the world’s most powerful men and women. As hosts, the Russian government should schedule unscripted plenary sessions and provide ample opportunity for discreet bilateral conversations.
- *Reach out to important constituencies.* The G20 faces persistent criticism about the arbitrariness of its membership and lingering suspicions that it seeks to serve as a global directorate. To mollify these concerns and encourage buy-in for its initiatives, the G20 has launched outreach efforts, inviting representatives from the IMF, World Bank, UN, and International Labor Organization to attend summits, as well as expanding the guest list to include a handful of countries and regional bodies.¹¹ While some commentators recommend reopening the fraught question of membership, or (less dramatically) instituting a system of rotating or constituency representation, Russia

would be unwise to open this Pandora's box. Rather, it should follow the Korean example by appointing a G20 ambassador-at-large to consult with interested parties—including nonmember states, regional organizations, the private sector, labor groups, and nongovernmental organizations—throughout its chairmanship.¹²

- *Bolster the troika system.* Given the G20's growing workload, some outside commentators have proposed creating a permanent secretariat to manage the paper flow and provide the body with greater institutional memory. Most G20 members have resisted this call, fearing that such a body might take on a life of its own, when the summit process should continue to be driven by leaders themselves. Rather than pushing a secretariat, the Russian government should work to strengthen the imperfect troika system, working closely with both the previous chair (Mexico) and the next one (Australia) to ensure a smooth transition and its own effective chairmanship. Such coordination could involve creating a permanent G20 website with shifting management, as well as the seconding of staff among troika countries.
- *Keep the communiqué short.* To maximize the political and public impact of the St. Petersburg summit, the Russian government should strive to keep the final communiqué as brief as possible. This will be a challenge given the complex and growing agenda, but it can be done. Russia should follow the admirable example of Mexico, which generated a fairly concise (eighty-five-paragraph) declaration, supported by lengthier appendixes for those seeking more detail.

STRENGTHEN THE MUTUAL ASSESSMENT PROCESS

When it comes to summit meetings, nothing breeds cynicism like the perceived failure of states to live up to their pledges. Russia can help dispel such skepticism by endorsing additional steps to give the MAP real "teeth." Under the current MAP process, each G20 member agrees, on a purely voluntary basis, to provide economic information and policy targets to one another and to the staff of the IMF, which then ascertains whether national policy choices are consistent with the Pittsburgh framework. At Los Cabos, the G20 strengthened the MAP's peer review process by establishing a new Accountability Assessment Framework, accompanied by a public, annual report. While the MAP provides a useful global forum for the negotiation and sharing of national commitments, it remains a fairly weak instrument of policy coordination. To strengthen the MAP, the Russian government should push its G20 partners to support the following reforms: create a transparent, public online database permitting analysts to review national commitments; adopt a more rigorous peer review process so that G20 members can evaluate each other's performance; create a more robust analytical capability (notionally within the IMF) to assess the global impact of national policies; and establish an enhanced negotiating forum where G20 members can engage in bargaining over respective national commitments.¹³

INTEGRATE ENERGY PRICE VOLATILITY INTO THE G20'S EFFORTS TO FEED THE WORLD

At the 2011 Cannes summit, the G20 pledged to promote agricultural production to feed the world population, but energy price volatility is a significant contributor to spikes in food prices; the Organization for Economic Cooperation and Development estimates that higher fuel costs will be one of the primary drivers of decreased food production in the coming decade. Given Russian experience in

energy production and energy price markets, the Russian G20 presidency should establish a working group on international cooperation to assuage the worst effects of high food prices when energy prices spike.

Endnotes

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 10. The final Washington communiqué highlighted G20 members' collective commitment "to addressing other critical challenges such as energy security and climate change, food security, the rule of law, the fight against terrorism, and disease."
 11. Under a formula agreed upon during the South Korean chairmanship, each G20 host invites an African and an Asian regional organization; Spain (which had declared itself a "permanent guest"); an African country; and another country that enhances the G20's "representativeness" (Matthew P. Goodman, personal communication, October 2012).
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