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**Can the G20 provide the leadership and governance  
necessary to respond to future global risk and uncertainty?**

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**Can the G20 provide the leadership and  
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## **ABSTRACT**

Drawing upon a range of research from different political scientists, analysts, and commentators, this paper starts with the premise that the world is interconnected. It accepts that the world can also be described in a systemic manner. In doing so, the paper analyses whether the G20 can embrace the pluralism and diversity evident within a globalized world. It seeks to determine whether the G20 can contribute toward development, reduce the risk of conflict, and nurture more effective governance. Fundamentally, can the G20 provide the leadership and governance necessary to respond to future global risk and uncertainty?

This paper has identified the importance of the G20 in responding to the existing structural imbalances and inequalities across the globe, as well as managing the transformational socio-economic changes that are rapidly unfolding. The nation state alone is not well equipped to respond, nor are the existing international governance arrangements agile and responsive enough. New, less formal, and less institutionalized forums are needed. As such the G20 reflects a pragmatic reality of today's global world. It marks a transition in governance terms. Self organizing, the G20 is a child of its time and it will continue to grow and evolve.

## **Globalism, globalization and the global system.**

In an article entitled *Globalism Versus Globalization*, Joseph Nye outlined the differences between these two important ideas. Globalism, he wrote, “seeks to describe and explain nothing more than a world which is characterized by networks of connections that span multi-continental distances.”<sup>1</sup> In contrast, globalization “refers to the increase or decline in the degree of globalism. It focusses on the forces, the dynamism or speed of these changes.”<sup>2</sup> These ideas, however, are contested, not only in how they are defined, but also in considering their implications. That said, both ideas form part of a commonly used lexicon to describe today’s world, in the sense that connectivity across the world in economic, financial, social, cultural, and political terms has been growing for centuries. More recently, environmental issues, such as climate change, have also become international rather than purely national or regional concerns.

David Held, et al, identify 3 broad accounts of the nature of globalization - referred to as “the hyperglobalist, the sceptic and the transformationalist views.”<sup>3</sup> The hyperglobalist argues that globalization is “eroding and fragmenting nation-states and diminishing the power of politicians.”<sup>4</sup> Meanwhile, the sceptics believe that global circumstances are not unprecedented, and that although there has been a marked increase in international connections this has only served to reinforce and enhance state powers. Finally, the transformationalists contend that “globalization is serving to transform state powers and the context in which states operate. They do not predict the outcome - indeed, they believe it is uncertain - but argue that politics is no longer, and can no longer simply be, based on nation-states.”<sup>5</sup>

In considering globalization, Nicolas Berggruen and Nathan Gardels point to a transition from Globalization 1.0 to Globalization 2.0. They argue that “since the end of the Cold War, American-led globalization - 1.0 - has so thoroughly transformed the world through the freer flow of trade, capital, information, and technology that it has given birth to a new phase - Globalization 2.0.”<sup>6</sup> Both writers also suggest that the “great economic and technological convergence that is the

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<sup>1</sup> Joseph Nye, “Globalism Versus Globalization,” *The Globalist*, April 15 (2002).  
<http://www.theglobalist.com/storyid.aspx?StoryId=2392> (accessed April 1, 2013).

<sup>2</sup> Ibid.

<sup>3</sup> David Held, Anthony McGrew, David Goldblatt, and Jonathon Perraton, *Global Transformations* (US: Polity, 1999).  
<http://www.polity.co.uk/global/whatisglobalization.asp> (accessed April 2, 2013).

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Nicolas Berggruen and Nathan Gardels, *Intelligent Governance for the 21st Century A Middle Way between West and East* (UK and USA: Polity, 2013), 11.

consequence of Globalization 1.0 has at the same time given birth to a new cultural divergence...[as emerging powers look to establish themselves against] ...the waning hegemony of the West.”<sup>7</sup> Western liberal democracies must now interact with a much more pluralistic and diverse global society. Berggruen and Gardels hypothesize that “a power shift of this magnitude often ends in collision and conflict. But, given the intensive integration that the post Cold War round of globalization has wrought, it also poses entirely new possibilities of cooperation and cross-pollination across a plural civilizational landscape.”<sup>8</sup>

In accepting these ideas it is also logical to propose that a global system exists, again with the caveat that how such a system is defined is also subject to a great deal of academic debate. Basic “systems analysis takes into account the interconnectedness of three fundamental dimensions of societal systems: governance, conflict, and development (based on the accumulation of both physical and human capital).”<sup>9</sup> This is illustrated at Figure 1. In turn, the global system relies upon the various components of the system acting together to maintain equilibrium or to improve its status. Conversely, any “limitation or weakness in one of the key dimensions will lessen the prospect for improvement in the other dimensions.”<sup>10</sup> This prompts the question, how might the components of such a system be conditioned to act in concert with each other?

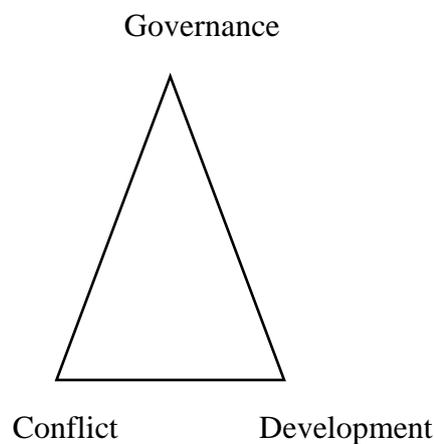


Figure1

Within this context, this paper will consider whether the G20<sup>11</sup> can embrace the cultural diversity evident within an increasingly globalized world? Is the G20 able to contribute toward development, reduce the risk of conflict, and nurture more effective governance? Does the G20

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<sup>7</sup> Ibid., 12.

<sup>8</sup> Ibid., 12.

<sup>9</sup> Monty G. Marshall and Benjamin R. Cole, “Global Report 2011 Conflict, Governance and State Fragility” (Vienna VA USA: Center for Systemic Peace, 2011), 2.

<sup>10</sup> Ibid., 2.

<sup>11</sup> The G20 is made up of 19 countries and the European Union: Argentina, Australia, Brazil, Canada, China, the EU, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, the Republic of Korea, Turkey, the UK, and the United States.

enhance global system performance or not? Can the G20 contribute toward what Berggruen and Gardels refer to as ‘intelligent governance’? Fundamentally, can the G20<sup>12</sup> provide the leadership and governance necessary to respond to future global risk and uncertainty?

### **Global risk and uncertainty.**

The 2008 Financial Crisis brutally exposed the fragility of a global financial system that lacked effective national and international governance. Spillover effects and the threat of contagion across national borders undermined public confidence both in the world’s financial institutions and in national governance, especially in the West. Speed of reaction to the crisis was critical. As Ngaire Woods<sup>13</sup> explains, the move by President George W Bush to call the inaugural G20 Leaders’ Summit (G20(L)) in November 2008 proved essential in “setting the agenda and priorities for action....”<sup>14</sup> Six months later, the G20(L) agreed to “a seemingly dramatic set of new measures....”<sup>15</sup> which included: providing the IMF with \$500 billion in additional resources; much tighter financial regulation; the commitment to avoid protectionism; the creation of a new Financial Stability Board (FSB); changes to development assistance; agreement that the FSB and the IMF should work together to identify any further risks and the actions needed to address them; and, institutional reform of the IMF and the World Bank to make them more representative. In short, the G20(L) rapidly established itself as a ‘global crisis committee’, prompting the question could the G20(L) become a ‘global steering group’?

Very significant risks to the global financial system remain. There is a strong possibility that, without any formal mandate, the G20 will fail to implement the coordinated macro economic measures necessary to stabilize the global financial system and promote economic growth. Conversely, states may act unilaterally to implement ‘domestic’ structural reforms which have international consequences. For example, the recent move by the US to force foreign banks to hold greater capital reserves, which EU Commissioner Michel Barnier has stated could “end up with a fragmentation of the global banking markets.”<sup>16</sup> At a regional level, although a financial bailout of Cyprus has recently been agreed, circumstances could still lead to further instability within the Eurozone, or perhaps even its partial break up. Either way, public confidence has been badly

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<sup>12</sup> The G20 was established in September 1999 in the aftermath of the Asian Financial Crisis of 1997-98. Until 2008 the G20 was a forum for Finance Ministers and central bank governors to meet.

<sup>13</sup> Ngaire Woods, “The Impact of the G20 on Global Governance: A History and Prospective,” in *Global Leadership In Transition Making the G20 More Effective and Responsive*, eds Colin I. Bradford and Wonhyuk Lim (Seoul and Washington: Korean Development Institute and The Brookings Institute, 2011), 36.

<sup>14</sup> *Ibid.*, 38.

<sup>15</sup> *Ibid.*, 39.

<sup>16</sup> Alex Barker and Tom Braithwaite, “EU and Fed clash over US bank move,” *Financial Times*, April 23 (2013):1.

shaken by the proposal to apply a “6.75% levy on all deposits up to 100,000 Euros”<sup>17</sup>, causing widespread anger on the island. Each of these situations could result in the ‘Balkanization’ of the global financial system which will severely restrict the “healthy flow of financing”<sup>18</sup> that is critical for global economic growth and development. The US fiscal cliff and widespread sovereign debt amongst most other developed economies, allied to the prospect of stagnant or much slower growth in the near to mid term, simply compounds the level of risk and the probability of a further financial crisis arising. Global financial stability is an essential prerequisite to future economic growth and development which, in turn, is one of the fundamental dimensions of a global societal system. There is clearly still a lot more for the G20(L) to do.

In the transition to Globalization 2.0, a transformational shift of global economic power from West to East is taking place which will step across significant differences in culture, values, norms and legislative frameworks. According to the latest OECD Economic Survey, China is “on course to become the world’s largest economy around 2016.”<sup>19</sup> Conversely, Western democracies will continue to grapple with very fragile economies, typified by low growth, low productivity, ageing populations, increasing welfare costs, and very severe sovereign debt problems. Meanwhile, the nations of the ‘developed world’ and the rapidly industrializing nations, such as China, Brazil, and India, have yet to agree an enduring strategy to balance global resource consumption with a sustainable environment. This highlights two significant risks that could become manifest. First, a major dispute between nations over socio-economic interests, split along the fault lines expressed in Samuel P. Huntington’s ‘clash of civilizations’. Second, the prospect of a catastrophic environmental disaster, such as uncontrolled global warming.

The world is also changing demographically. A recent report<sup>20</sup> indicates that the global population is expected to stabilize at c9Bn, before slowly reducing due to lifestyle choices and lower fertility rates. This is particularly true in Western countries where young skilled workers and the use of technology will be at a premium. Conversely, population growth will continue to expand in many parts of Asia and in Africa. By 2045, some 60% of the world’s population will be Asian,

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<sup>17</sup> Editorial “Another fine Euro mess they’ve got us into,” *Sunday Times*, March 24 (2013): 22.

<sup>18</sup> Howard Davies and Susan Lund, “Three steps stop global finance disintegrating,” *Financial Times*, March 21 (2013): 37.

<sup>19</sup> OECD Economic Surveys China March 2013 Overview. [http://www.oecd.org/eco/surveys/Overview\\_CHINA.pdf](http://www.oecd.org/eco/surveys/Overview_CHINA.pdf) (accessed 2 April 2013).

<sup>20</sup> Jeff Wise, “About That Overpopulation Problem,” *Slate Magazine*, January 9 (2013).

[http://www.slate.com/articles/technology/future\\_tense/2013/01/world\\_population\\_may\\_actually\\_start\\_declining\\_not\\_exploding.html](http://www.slate.com/articles/technology/future_tense/2013/01/world_population_may_actually_start_declining_not_exploding.html) (accessed 3 April 2013).

and around 20% African.<sup>21</sup> This demographically young population will need access to both job opportunities and a sustainable quality of life. Evidence also supports a positive trend in education provision and global health in many parts of the world, in addition to a rising middle class with increased expectations. That said, very significant global inequalities and dire poverty exists in many areas of the world. There are huge differences in wealth, with over 3 billion people living on less than \$2 a day. Indeed, “more than 80% of the world’s population lives in countries where income differentials are widening.”<sup>22</sup> There are also significant tensions between urban and rural development that have yet to unfold in many parts of the world. Taken together, these issues will continue to present national governments and international forums with a very high risk, and high probability, of social conflict, particularly where governance is weak and not inclusive.

Global energy supplies are likely to be transformed in next 15 - 20 years. Although global energy demand will continue to rise, particularly in the East and in Africa, there is likely to be a massive increase in the diversity of energy supply, through Shale oil and gas extraction. The US is expected to be self sufficient in energy by 2030, and as the technology and infrastructure to exploit Shale oil and gas spreads China and other nations will seek to emulate. In turn, there will be major implications for global energy pricing, the design and build of transportation systems (i.e. cars), and in determining sustainable environmental strategies. Globally, the increased use of LNG, will forge further interconnectivity through transnational pipelines, shipping routes, and infrastructure build. However, energy resource abundance could cause significant political uncertainty and increase the risk of instability. This is particularly relevant in countries whose economies rely on the export of oil and whose citizens are directly or indirectly heavily subsidized from oil. For example, in the Middle East, many analysts predict that if the cost of oil falls below \$80 per barrel, Saudi Arabia’s economy would falter if not fail. Energy insecurity and commodity price volatility will therefore continue to threaten the stability of many states.

Turning to global security, the risk of a state on state conflict remains, highlighted by a number of seemingly intractable problems such as the nuclear threats posed by Iran and North Korea, civil war in Syria, and the long running dispute between Israel and Palestine. Both North Korea and Iran continue to pursue nuclear capabilities regardless of the political pressure and economic embargoes applied by the UN. In either case, there is the risk of strategic miscalculation and the use of military force, causing very significant regional and global instability. In seeking to resolve conflicts such as Syria, the UN Security Council only works when the P5 functions together

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<sup>21</sup> UN 2008 estimates and medium variant projections. [http://en.wikipedia.org/wiki/World\\_population](http://en.wikipedia.org/wiki/World_population) (accessed 2 April 2013).

<sup>22</sup> <http://www.globalissues.org/article/26/poverty-facts-and-stats> (accessed 2 April 2013).

with common intent. In these circumstances, the moral obligation to intervene and the fear of unknown consequences collide. Moreover, the perceptions and actions of state leaders are heavily conditioned by domestic agendas and self interest. Leaders are also challenged by the desire to maintain the integrity of the existing state system, and its supporting global institutions, whilst trying to deal with circumstances that perhaps merit different approaches and new paradigms of governance.

More widely, conflict trends<sup>23</sup> indicate that significant intra-state social conflict prevails, and that inter-state conflict has markedly reduced. Notwithstanding the concerns over nuclear proliferation, the Arab Awakening, events in Syria, Israel and Palestine, together with conflict patterns in sub Saharan Africa would all seem to indicate that socio-economic conflict together with the desire for greater self determination and political inclusion pose the most widespread risk of instability. At the heart of the Arab Awakening, and elsewhere, is a common demand by citizens for 'Freedom, Justice, and Dignity'. In these circumstances, Islam is being politicalized and extremist terrorist groups flourish in the vacuums created by the absence or collapse of central authority. Unresolved territorial disputes and localized tensions over land use and water rights, together with the easily manipulable emotions of ethnicity, race and religion, create an explosive cocktail of localized and intimate social conflict. These concerns spillover national borders and restrict the prospects for global and regional growth.

Further globalization is inevitable. Telecommunications, scientific research, academic and educational institutions, together with the innovation of the world wide web and social networking, are combining to spread rapidly both ideas and knowledge; "as a consequence innovation and developments are increasingly likely to have owners in several countries."<sup>24</sup> The consequence of this alignment has yet to unfold, but it is easy to surmise a much more even distribution of academic research, innovation, concept development, technological design, and economic opportunity across the globe. Meanwhile, although trade links and the movement of people remain largely regionalized, components and products are increasingly produced for distribution within a global market place. Moreover, labour costs and market demand invite multi-national companies to design, manufacture, and assemble products wherever it is most cost-effective to do so. For example, "Apple employs 43,000 people in the US, mostly in design, while the actual manufacturing of its iPhone takes place in China by Foxconn, which employs 1.2million

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<sup>23</sup> Monty G. Marshall and Benjamin R. Cole, "Global Report 2011 Conflict, Governance and State Fragility" (Vienna VA USA: Center for Systemic Peace, 2011). <http://www.systemicpeace.org/GlobalReport2011.pdf> (accessed 3 April 2013).

<sup>24</sup> Jonathon Adams, "The west should start sending its scientists to China," *Financial Times*, March 23 (2013): 37.

workers.”<sup>25</sup> This point also serves to illustrate Anthony Giddons’ description of globalization as “the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa.”<sup>26</sup> Giddons also contends that there is a ‘Transformation of Intimacy’ as a result of these linkages that is established by “an opening out”<sup>27</sup>. In other words, the building of trust.

The pace of further globalization will be driven by market demand, the entrepreneurial and innovative desire to seek out new opportunities, and the need to tackle shared risks. Instant 24/7 access to the internet and mobile phone technology will serve to deepen and broaden global networks, but it will also amplify tensions between domestic and international agendas, and give voice to grass root populist movements that will continue to challenge central Government authority. Moreover, within a globalized world, it is not just nation states who interact with one another. Other dynamic and influential actors include multi-national corporations, charitable organizations, and self empowered philanthropists. Meanwhile, existing international and national governance structures and processes, which are infused with markedly different cultures and values and at different stages of political development and effectiveness, will serve to regulate and condition the speed of globalization. For example, many African states are not yet politically mature enough to frame an inclusive national narrative, let alone a regional one, and yet the well being of large numbers of Africans lies in much greater regional cooperation and integration, rather than protecting national and elite self interests and neo-paternalistic systems of governance.

It is evident from this analysis that transformational economic and social changes are taking place across the globe. This presents a number of very significant risks, including:

- the risk that ‘Balkanization’ of the financial system will restrict global economic growth, constrain development opportunities, and sustain very significant structural imbalances and inequalities across the globe.
- the risk of limited economic growth, a resurgence of protectionism, constrained development opportunities, and widening social inequality due to the failure to coordinate macro economic policies.

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<sup>25</sup> Nicolas Berggruen and Nathan Gardels, *Intelligent Governance for the 21st Century A Middle Way between West and East* (UK and USA: Polity, 2013), 17.

<sup>26</sup> Anthony Giddons, *The Consequences of Modernity* (Stanford: Stanford Press 1990), 64.

<sup>27</sup> *Ibid.*, 124.

- the risk that without an appropriate governance framework transformational social and economic changes together with existing global structural imbalances and social inequalities will combine to cause widespread social and political conflict.
- the risk of widespread intimate social conflict and further challenges to central authority due to the lack of economic development and social inclusion.
- the risk that without changes to existing international and global governance arrangements that protracted conflicts will endure and that responses to future global or regional challenges will be constrained or ineffective.

### **Globalization, growth and governance.**

In a connected world, still rooted in the Westphalian nation state order, effective international and regional forums, either formal or informal, are needed to help national leaders manage the risks they face. Across the globe, there is also a universal demand for ‘growth’ to help mitigate such risks. This raises some interesting and difficult questions that divide opinion. How should ‘growth’ be defined? What is sustainable? What is the right approach to adopt?

In stimulating global development and improving citizen well being other challenging questions arise. For example, is financial stability and economic growth more important than pressing the ‘good governance’ agenda? Or, is good governance a pre-requisite to global economic development? The book *Is Good Governance Good For Development?*, edited by Jomo Kwame Sundaram and Anis Chowdhury, reviews the notion of ‘good governance’, which is predicated on the Western principles of a liberal free market and private property. As the editors point out, it was generally presumed that the liberalizing market reforms of the 1980s would “end problems of economic inefficiency, corruption, and arbitrary rule in developing countries.”<sup>28</sup> As such, it was envisaged that institutional and legislative authority would counter balance autocratic, self interested political agendas. However, it is now “widely acknowledged that political factors are not only more important than previously thought, but also that neither politics nor power is easily addressed within ‘good governance’ reforms or by engineering institutional change.”<sup>29</sup> In other words, although it is agreed that ‘good governance’ matters, it is not clear what this means specifically nor how it can be measured.

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<sup>28</sup> Jomo Kwame Sundaram and Anis Chowdhury, eds. *Is Good Governance Good for Development?* (London and New York: Bloomsbury Academic, 2012), 1.

<sup>29</sup> *ibid.*, 2.

Indeed, the World Bank's widely used World wide Governance Indicators (WGIs) - *Voice and accountability, Political stability and absence of violence, Government effectiveness, Regulatory quality, Rule of Law, and Control of corruption* - have come under severe criticism. As Sundaram and Chowdhury highlight, this has implications in how developing countries are invited to comply with the WGIs in return for development aid and inward investment. Moreover, rather than seeing 'good governance' driving economic development and citizen well being, evidence now suggests that it is otherwise and that growth and development provides the conditions for improved governance. As such, governance reform should be incremental, matching economic development and circumstance to targeted, step changes in governance, rather than a demand for wholesale government reform at the outset.

The conclusion, in reference to Figure 1, is that there is a critical need to promote global financial stability as a precursor to global economic prosperity and human well being. In turn, from economic development and prosperity more effective and inclusive governance will emerge, subject to the right tailored incentives. That said, there is still a debate to be had on how 'growth' is defined and how it is styled toward promoting more inclusive and widespread human wellbeing. Indeed, in his book *Prosperity Without Growth Economics for a Finite Planet*, Professor Tom Jackson raises the question, can we achieve prosperity without growth? In seeking to answer this type of question, what international or global forums might leaders turn to? Are the existing global governance regimes up to the job or are different approaches needed?

### **The limitations of existing global governance.**

The world's existing international governance mechanisms are a function of the time and circumstances of their creation. For example, as Rosemary Righter describes<sup>30</sup>, the UN was created after WW2 to serve 3 core purposes. First, the Security Council, complemented by the General Assembly, was to provide a robust mechanism to settle disputes between nation states. Second, the Bretton Woods agreement to establish the World Bank, the International Monetary Fund, and the World Trade Organization was designed to ensure global economic stability. Third, the creation of freestanding UN agencies in health, education, and agriculture were designed to shift the emphasis away from conflict between the nations to sharing both ideas and knowledge. However, these high ideals have not been matched with the reality of the past 70 years.

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<sup>30</sup> Rosemary Righter, "The United Nations, from outside." RCDS (November 20, 2012):4

Despite some remarkable achievements along the way and the international legitimacy it confers, Righter criticizes the UN global governance arrangements for the ‘cynical and indefensible’ use of the veto by the P5 when it suits individual member states, the bureaucratic and moribund nature of its processes, and the inability of the nations to agree to much needed reform. These views are echoed by Mark Malloch-Brown in his book *The Unfinished Global Revolution: The Limits of Nations and the Pursuit of a New Politics*. As a former United Nations Deputy Secretary General, Malloch-Brown argues that in a globalized world national Governments are not well equipped to address complex global issues. Put simply, the established global organizations and institutions have either not been sufficiently empowered by the nations to tackle such challenges and risks, or they are hamstrung by vested national interests and lack of trust.

Righter also argues that these weaknesses and limitations pervade the UN’s 6 principal organs and 15 agencies. Looking specifically at the UN’s Economic and Social Council (ECOSOC), Righter highlights that the UN’s “specialized agencies were set up as self-governing autonomous bodies, independent of the political UN, while responsibility for financial and economic management rested with the Bretton Woods organizations in Washington.”<sup>31</sup> Since then, ECOSOC has grown into a grouping of “3 standing committees, 9 ‘functional commissions’, five regional commissions, nine expert bodies, four ‘related bodies’, and one ‘open ended’ working group.”<sup>32</sup> This representative but bureaucratic structure prompts the immediate question why the G20 not ECOSOC in responding to the Financial Crisis?

In short, the world has evolved and, as Malloch-Brown indicates, many global institutions need to be reformed and made fit for purpose to revive their credibility and make them more effective in responding to modern risk and uncertainty. Indeed, an early outcome of the G20 (L) was to push forward long overdue reforms at the IMF and World Bank. The 2008 Financial Crisis demonstrated the need to work quickly across stove pipes of activity, and not just work within them, building connections to deliver greatest effect. Institutional reform will take time, strong leadership, and significant amounts of political will. Until then ad hoc governance mechanisms are likely to be called upon.

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<sup>31</sup> Ibid.,4

<sup>32</sup> Ibid.,4

### Further insight from political theorists.

Before considering the G20 in more detail, it is important to reflect on the work of some key international relations theorists, drawn from Robert Kaplan's book: *The Revenge Of Geography*. Kaplan's detailed analysis reminds readers of the significance of geography, environment and history in shaping international relations. It also illustrates how much of the past can be explained according to the realist school of international relations, but is this true of the future?

Sir Halford J. Mackinder is "famous not for a book, but for a single article, 'The Geographical Pivot of History', published in the April 1904 issue of *The Geographical Journal* in London."<sup>33</sup> Mackinder's main thesis is that Central Asia forms a 'Heartland' which is the pivot upon which the fate of great empires rests. In turn, the Heartland is the centre of a 'World-Island' made up of Europe, Africa and Asia. Writing in the midst of the European 'great game', Mackinder also draws out the relationship of East Europe to the Heartland, leading to the dictum: *Who rules East Europe commands the Heartland; Who rules the Heartland commands the World Island; Who rules the World Island commands the World.*<sup>34</sup> As such, Mackinder envisaged a closed global system in which the "political ownership of all the dry land" had been "pegged out"<sup>35</sup>, forcing interactions between nation state actors. Through his analysis, Mackinder is credited as providing meaningful insight into the causes of two World Wars and the origins of the Cold War.

Today the 'Heartland' comprises a number of proud and independent nation states, balanced between two powerful 'realist' states - China and Russia. However, as the West withdraws militarily from Afghanistan, it is China that is beginning to command the Heartland by developing an extensive regional trade network. This is enabled through bilateral agreements with Afghanistan, Pakistan, and the states of Central Asia, and underpinned by investing in and directly building rail, road, and pipeline links. Transformational economic change is the real politic of today. Space has not just been pegged out geographically, it is also being closed out through a myriad of interconnected bilateral and multi-national trade agreements. It should come as no surprise that the US is seeking to sign two very significant trade deals with both the EU and the Trans Pacific Partnership countries. As Richard McGregor's article<sup>36</sup> points out "A transatlantic deal is being sold in both markets as a way to set trade rules for a large part of the global economy in such a way that China [and others] would be under pressure to follow." This insight illustrates

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<sup>33</sup> Robert D Kaplan, *The Revenge Of Geography: What The Map Tells Us About Coming Conflicts And The Battle Against Fate* (United States: Random House, 2012), 62.

<sup>34</sup> *Ibid.*, 74.

<sup>35</sup> *Ibid.*, 72.

<sup>36</sup> Richard McGregor, "Obama puts trade at the heart of agenda." *Financial Times*, February 5 (2013): 8.

the desire by nation states, such as the US, to influence the values, norms, rules and regulations that underpin the global economy. It raises the question, is such an action merely an extension of 'realist' nation state power politics? Or, are international forums providing a melting pot to fuse different beliefs, values, and norms into a common vision based on mutual agreement?

In 1942, the realist Nicholas J Spykman published *America's Strategy in World Politics: The United States and the Balance of Power*. Spykman's 'Rimland' thesis in many ways complements Mackinder's work. It provides a framework for understanding the Cold War in which he envisaged a maritime United States, balanced in a bipolar relationship with a continental Soviet Union, seeking to exert influence on the 'Heartland' from its periphery or rim. Spykman also wrote, "International is..... a society without central authority to preserve law and order."<sup>37</sup> In other words, "all states must struggle for self preservation. Statesmen can strive for the universal values of justice, fairness, and tolerance, but only so far as they do not interfere with the quest for power, ...".<sup>38</sup> Looking ahead, as China pushes westward economically into the 'Heartland' and into Africa, America's capacity to influence the global agenda from the 'Rimland', or the periphery of the World-Island, looks set to diminish, notwithstanding its significant military power. It is economic boots on the ground that will shape events, not military coercion. Therefore, shaping the global and regional institutions which effect and regulate global trade is not just critical, it becomes the centre of gravity. This will demand agreement on values, norms and laws, and tolerance of different political cultures.

In writing *Politics Among Nations: The Struggle For Power and Peace*, modern realist Hans J. Morgenthau argued that power politics dominates in international relations. As such, foreign policy is a projection of national interest and an extension of a nation's domestic concerns. To realists, such as Morgenthau, geography and power relationships matter - self interest and fear determine outcomes, and conflict is inevitable. Moreover, "realists don't believe that international institutions by themselves are crucial to peace, because such institutions are merely a reflection of the balance of power of individual members states....."<sup>39</sup> Such analysis illustrates how 'uber' power states, such as US, Russia and China, often behave today in their use of the veto at the UN.

However, Morgenthau also writes "that it is, ultimately, only the existence of a universal moral conscience - which sees war as a natural catastrophe and not as a natural extension of ones

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<sup>37</sup> Robert D Kaplan, *The Revenge Of Geography: What The Map Tells Us About Coming Conflicts And The Battle Against Fate* (United States: Random House, 2012), 90.

<sup>38</sup> *Ibid.*, 90.

<sup>39</sup> *Ibid.*, 26.

foreign policy - that limits war's occurrence."<sup>40</sup> This realist viewpoint is exposed by the liberalists and humanists, such as Isaiah Berlin, who dismiss the belief that "*vast impersonal forces* such as geography, the environment, and ethnic characteristics determine our lives and the direction of world politics."<sup>41</sup> Leaders knowingly confront moral challenges in which they face value based judgements in how they act. This is true in many Western states, especially the US and UK - whose history and geography has contributed to a strong liberal and value based culture. In a 'pegged out' world, increasingly subject to mutual risks and challenges, leaders must balance marked tensions between protecting individual state interests and accepting a compromise position to support a wider collective interest. As such, international forums are more than just an extension of domestic politics.

Finally, in a short theoretical review, in 1963 William Hardy McNeill published a book, *The Rise of the West: A History of the Human Community*, in which he argued "that cultures and civilizations continually interacted, and it has been this interaction that has forged the core drama of world history."<sup>42</sup> In more recent years the intensity and breadth of such interactions has grown exponentially. To manage these complex, multi-faceted, and multi-layered interactions national, regional and international governance arrangements have been created. Looking ahead, the G20 clearly has a role to play, but why, and to what extent?

### **The G20. Why?**

It is too easy to view the globe in what "Thomas L. Friedmand has labelled a *flat world*."<sup>43</sup> As Robert Kaplan explains, there is a need to "recover our sensibility about time and space that has been lost in the jet and information ages, ". Kaplan also contends that "our view of physical reality"<sup>44</sup> has been lost, to which one should also add a lack of understanding of the diverse cultures and values that comprise the different societies of the world, and how this in turn affects governance.

The G20 offers a way to span these divides and to foster Giddons' 'Transformation of Intimacy' between systemically important nations, drawing in other nations from around the periphery. The forum helps rediscover 'physical reality' by joining different nations from across the globe, as opposed to maintaining a more limited club within a particular region or based on

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<sup>40</sup> Ibid., 26.

<sup>41</sup> Ibid., 36.

<sup>42</sup> Ibid., 39.

<sup>43</sup> Ibid., xix.

<sup>44</sup> Ibid., xix.

economic status, such as the G8. The G20 brings together the ‘cultural divergence’ of Globalization 2.0 into a more inclusive gathering, enabling ways to tackle shared risks and exploit mutual opportunities.

The globe is an integrated, ‘pegged out’ system, operating under huge pressure with very significant structural imbalances in wealth, resources, population, development, health, opportunity, and social inclusion. These dynamics are very fluid and subject to change not necessarily in a linear manner. Meanwhile, international governance frameworks reflect historical legacy and a seeming inability to evolve in responding to a changing world. Global institutions have become bureaucratic, unresponsive, and constrained in looking ahead. Indeed, in a media driven, highly ‘visible’ and socially interconnected age, the demand for change outstrips the ability of nations to agree the necessary organizational changes. It is time for different approaches and different paradigms of governance. The pivotal role played by the nation state is not going to disappear, but global governance regimes are needed which better bridge the divides, and turn zero sum politics into collective win-win opportunities. Crisis will drive imperatives to act, but continual evolution is also needed. Agility, flexibility, and capacity to range formally and informally across different domains - finance, economy, energy, resources, climate, environment, and security - is demanded.

### **The G20 - strengths and limitations.**

The 2008 Financial Crisis clearly demonstrated that the G20(L) can play a leading role in managing global risks and uncertainty, but in doing so its strengths and limitations must be acknowledged. First, it is a self selecting group of 19 nation states and one regional body, the EU. Without a recognized mandate, the G20(L) depends totally on sharing common interests, tackling mutual risks, and maintaining the political will to overcome or accommodate differences. In 2008, world leaders acted quickly and decisively to range across various global institutions to restore both market and public confidence. As a ‘crisis committee’, the G20(L) had the political gravitas together with the economic and financial levers to respond globally, launching the Framework for Strong, Sustainable and Balanced Growth at the Pittsburgh Summit in 2009. Imperative demanded action, encouraging common purpose and a spirit of cooperation amongst the nations.

However, as the global economy slows down there is evidence to suggest that nation states are increasingly acting in isolation. The World Trade Organization (WTO) recently cut its forecast for global trade in 2013 to 3.3% from 4.5% following fears that protectionism was on the increase. Indeed, WTO Director General Pascal Lamy has warned that 2013 could turn out even weaker than

expected, due to the risks arising from the Euro crisis.<sup>45</sup> The G20(L) will need to curtail protectionism if global economic growth is to be promoted, notwithstanding the political tensions this creates as leaders also seek to shore up domestic growth.

Many commentators question the representativeness of the G20. “Although more than 85% of global GDP is produced by the G20 countries and two thirds of the global population resides in these countries, more than 170 UN member countries do not belong to the G20, and the credibility and legitimacy of the G20 as a steering committee cannot be upheld without their support.”<sup>46</sup> Many countries are concerned that the G20 conditions and provides direction to the World Bank, the WTO and the IMF, by-passing their constituted decision making processes. This provides the G20 with a very significant span of influence, albeit not necessarily direct control. Where are the checks and balances on the use of power? What authority should the G20 have? Greater legitimacy could be gained through more systematic engagement with other nations, but a careful guard will need to be kept on maintaining the G20’s effectiveness as a group. Meanwhile, the G20 draws together into the same forum the developed and developing world and connects the key nations of Huntington’s ‘clash of civilizations’. That said, when set against the geography of Mackinder’s ‘World Island’, Africa would appear under represented, and the addition of Nigeria to the forum, with its wealth in resources and its growing population, would not be a surprise when the time is right.

The G20’s formal agenda is focussed on stabilizing the global financial system and coordinating macro economic development. For example, recent debate has centered upon ‘currency wars’, as each nation state seeks to find ways to stimulate economic growth. In Japan, a policy of large scale Quantitative Easing (QE) is being used to depreciate the value of the Yen, raise inflation to 2%, and increase the fiscal deficit in a dramatic attempt to end years of economic stagnation. The US is seeking to stimulate its economy in a similar fashion, whilst also lowering the unemployment rate. Meanwhile, other nations, such as the UK, have used QE but are also pursuing very painful austerity measures to reduce public spending. The stated aim of such policies is to stimulate national growth which is guarded as a national sovereign concern. The US fiscal cliff and the Eurozone crisis are equally seen as national concerns, but with significant international implications in the way they are handled. This highlights both the rights and wrongs of the G20, since there is no collective agreement on the ‘right’ way to stimulate struggling economies, nor is there any censure of nations whose actions, through suppressing currency exchange rates, may

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<sup>45</sup> Cited by Tom Miles, “WTO cuts 2013 trade forecast, sees protectionist threat”, *Reuters* April 10 11.13 EDT (2013).

<sup>46</sup> Il SaKong, “Forward,” in *Global Leadership In Transition Making the G20 More Effective and Responsive*, eds Colin I. Bradford and Wonhyuk Lim (Seoul and Washington: Korean Development Institute and The Brookings Institute, 2011), ix.

effect others. Japan's policy, if misjudged, could result in hyperinflation from which "the world's third largest economy may be setting the stage for a global inflationary spiral, perhaps beyond anything previously experienced."<sup>47</sup> In the meantime, security issues are not formally tabled at the G20, and attempts to do so would be stone walled by the US, China and Russia. Indeed, there are quite a number of bilateral tensions<sup>48</sup> within the G20 that must be set to one side to enable members to debate and agree on financial and economic matters.

As a 'grouping' the G20 lacks a dedicated secretariat. It relies instead on a Troika style chairmanship and the staffing horse power of the host nation. This constrains the G20's ability to pursue a consistent long term agenda, monitor its achievements, and regulate its members. However, it also serves to restrict the unnecessary growth of bureaucracy and to keep the G20 agile and responsive, subject to the political will of its members. There is a Mutual Assurance Process subject to peer group review, but many accept that this mechanism lacks real teeth. Members fear losing both national sovereignty and political legitimacy to outside intervention. It also reflects the inherent differences of opinion on how best to guide global macro economic policy. In a pluralistic world, and without any executive authority, the G20 can only work by securing agreement on common principles, values, and norms amongst its members.

One of greatest strengths of the G20 is that the forum draws together nations that need not be bound along traditional lines: East, West, North, South, Developed, Developing, non Aligned etc. Rather, the G20 is about sharing ideas within which different partnerships and alliances can be brokered. As these ideas coalesce, there is every possibility that a different vision and a new direction for the world can be created. The growth of research into global governance directly challenges the traditional understandings of governance as purely state-based. Empirical research into 'institutional infrastructure' and the 'spread of policy ideas' captures both the increasingly global nature of governance and the emergence of many new, non state, actors on the world stage. Moreover, according "to Rosenau (2000), authority in global space is increasingly based on informal relations..."<sup>49</sup> with actors engaged in a myriad of networks and diverse relationships to create policy regimes. In this complex circumstance it is difficult to identify the authority which drives governance. Indeed, decision making, action, and the causal effects of any action are very unlikely to be hierarchical and linear. Two further points stand out from the research into global

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<sup>47</sup> Scott Miner, "Japan risks sliding down the slippery slope of hyperinflation," *Financial Times* March 21 (2013): 50.

<sup>48</sup> Ian Bremner, "Nine worst bilateral relationships in the G20," *The Economic Times, India Times*, March 8 (2013). [http://articles.economictimes.indiatimes.com/2013-03-08/news/37561551\\_1\\_eu-russia-china-japan-tensions](http://articles.economictimes.indiatimes.com/2013-03-08/news/37561551_1_eu-russia-china-japan-tensions) (accessed March 10, 2013).

<sup>49</sup> Peter Aagaard and Michael Strange, "Complex Global Governance - A New Methodology?," in *Governance Is It For Everyone?*, ed. Ann Marie Bissessar (New York: Nova Science Publishers, Inc, 2012), 89.

governance. First, although the nation state remains a central player in global policy processes, institutions and normative groupings once established also become sources of governance. Second, within an open, dynamic, and fluid global system, the nature and pattern of governance will change over time depending on the circumstance. This type of research raises a myriad of questions, such as: is it possible to achieve a greater convergence of interests rather than the zero-sum, nation state realist politics of an earlier generation? Can the G20(L) capitalize on its early success as a ‘crisis committee’ and act more as a global ‘steering group’?

### **Recommendations - How can the G20 help in future?**

In this final section, it is important to reflect on 3 questions. First, where is the need for the G20 to be engaged? Second, where is the pressure to do things differently? Third, is the G20(L) a crisis committee or a long terms steering committee in the making? From this, it will be possible to deduce whether the G20 marks a transition into a new form of global governance? Hyperglobalist, sceptic or transformationalist?

Ngairé Woods argues that the “G20 is uniquely placed as an informal agenda setting group to push forward global cooperation in 4 key areas: financial regulation, development assistance, exchange rates and institutional reform.”<sup>50</sup> This is a starting point, but perhaps a rather narrow agenda. The previous analysis shows that global leaders confront immediate and hugely pressing risks to ensuring financial stability and economic growth, whilst also facing transformational economic and social changes that will step across widespread differences in culture and values. In considering how the G20(L) could help tackle such circumstances it is useful to return to the social dimensions of the basic global system represented in Figure 1. Taking each dimension turn:

**Conflict.** In response to security matters, the UN has the global mandate and the universal legitimacy of UNSCRs, not the G20. The international community therefore works in ‘stove pipes’ to address social, economic and security risks. This tightly focusses activity in responding to the nuclear threats posed by Iran and Korea, but perhaps at the expense of achieving a more comprehensive approach in addressing the widespread risks of socio-economic conflict. Stove

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<sup>50</sup> Ngairé Woods, “The Impact of the G20 on Global Governance: A History and Prospective,” in *Global Leadership In Transition Making the G20 More Effective and Responsive*, eds Colin I. Bradford and Wonhyuk Lim (Seoul and Washington: Korean Development Institute and The Brookings Institute, 2011), 36.

piping also highlights the limitations of existing international governance arrangements and exposes the inherent vested interests of nation states. That said, with a greater degree of trust and the right political will, it would not be too far fetched to see the G20(L) step toward a more comprehensive engagement on security matters - perhaps with an eye to mitigating social conflict upstream through better targeted economic development. The portent for such a step is evident in the G8's engagement in the Deauville Partnership, which was formed to coordinate a response to the 'Arab Awakening'. Most recently, this included an invitation to 4 leaders of the Syrian opposition coalition to be present in the margins of the G8's meetings<sup>51</sup>. In doing so, security and economic issues could be addressed together, which might open up different ways to resolve conflicts that would otherwise be constrained by a P5 veto. This is not an immediate area for the G20(L) to engage in, but one that may well evolve.

**Development.** Many commentators argue that the most effective action on promoting economic growth and development is occurring outside of ECOSOC and the UNDP. The G20(L) therefore faces a pressing need to deliver greater consensus on macroeconomic policy, building frameworks for both regional and national economic growth and development. The prospect of exchange rate wars<sup>52</sup> remains and it is not clear if nations have implemented sufficient measures to avoid future shocks to the financial system. Equally, the widespread use of QE in Japan and USA may have the unintended consequence of further increasing China's massive Foreign Reserves<sup>53</sup>, rather than providing a national economic stimulus. This might further strengthen China's economic position as it seeks to restructure its economy from exports and infrastructure to one based on services and promoting consumer demand. In turn, this might invite the G20 to coordinate very difficult structural reforms across the world's leading economies. Transformational changes in energy supply will also need to be managed, and the G20 looks ideally placed to be the broker in guiding global pricing mechanisms that will enable political, social and economic change to unfold without the threat of major instability and social conflict. The G20 also looks to be the vehicle for promoting much greater national economic diversity and for agreeing strategies that strike the balance between growth, resource consumption, and securing a sustainable environment.

Economic growth and a vibrant global economy is fundamental to development. Without prosperity, the amount of development aid given by donor nations is markedly reduced. A recent UNDP Report states that "In 2011, net aid disbursements amounted to \$133.5 billion, representing

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<sup>51</sup> Richard Spencer and Damien McElroy, "Hague warning over Syria's 'catastrophe'," *The Daily Telegraph*, April 11 (2013):18.

<sup>52</sup> Robert Harding and Alice Ross, "G20 braced for currency war talks," *Financial Times* February 12 (2013): 6.

<sup>53</sup> Simon Rabinovitch, "China debt worries increase as forex reserves surge to \$3.4tn," *The Financial Times*, April 12 (2013):5.

0.31 per cent of developed countries' combined national income. While constituting an increase in absolute dollars, this was a 2.7 per cent drop in real terms over 2010."<sup>54</sup> This figure is also markedly below the promise made at the UN in 1970 by donor nations to spend 0.7% of Gross National Income on Official Development Assistance. Without an improvement in global economic growth it looks very unlikely that UN's Millennium Development Goal 8 - A global partnership for development - will be achieved.

Development resources must also be well coordinated to deliver 'bang for buck'. In her review of the UN, Rosemary Righter argues that the World Bank's "work on education, environmental degradation, and the promotion of entrepreneurship dwarfs anything attempted by the specialized agencies. And that it is the World Bank [Report 2011: Conflict, Security, and Development] ....that sets out a truly novel approach to development...."<sup>55</sup> In publishing the report<sup>56</sup>, World Bank President Robert B. Zoellick states that "military and development disciplines too often worked on separate paths" and that security and development related issues needed to be brought together to break the cycles of conflict, criminality and violence that are evident across the globe. Assuming Righter is correct, the G20's relationship with the World Bank and the World Trade Organization is fundamental to shaping the global development agenda. The G20 is also central to encouraging greater coherence between the development agencies and the security agencies. Ngaire Woods drew a similar conclusion in writing that nations are "working in parallel worlds on development and the G20 has a powerful, unique capacity to overcome that divide."<sup>57</sup> It is no surprise that the leaders of 5 emerging economies (Brazil, Russia, China, India, China and South Africa) recently decided to set up a development bank to "break away from the traditional donor-recipient model advocated by Western nations for more than six decades."<sup>58</sup> The G20(L) should seek to draw such initiatives into a coherent global strategy, providing very powerful linkages to refreshing the UN's Millennium Development Goals in 2015 and targeting rapid improvements in global development.

**Governance.** Research on the linkages between improved governance and economic development appears inconclusive. That said, current analysis and opinion would suggest that

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<sup>54</sup> [http://www.undp.org/content/undp/en/home/mdgoverview/mdg\\_goals/mdg8/](http://www.undp.org/content/undp/en/home/mdgoverview/mdg_goals/mdg8/) (accessed on 30 April 2013).

<sup>55</sup> Rosemary Righter, "The United Nations, from outside." RCDS (November 20, 2012):7

<sup>56</sup> World Development Report 2011

<http://web.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTWDRS/0,,contentMDK:23252415~pagePK:478093~piPK:477627~theSitePK:477624,00.html> (accessed 5 April 2013).

<sup>57</sup> Ngaire Woods, "The Impact of the G20 on Global Governance: A History and Perspective," in *Global Leadership In Transition Making the G20 More Effective and Responsive*, eds Colin I. Bradford and Wonhyuk Lim (Seoul and Washington: Korean Development Institute and The Brookings Institute, 2011), 44.

<sup>58</sup> Rasina Warah, "Africa rises as BRICS countries set up a different development aid model," *Daily Nation* April 28 (2013):1 <http://www.nation.co.ke/oped/Opinion/-/440808/1760878/-/k2cwt4z/-/index.html> (accessed 30 April 2013).

governance improves following economic development, not vice versa. In shaping the direction of macro economic policy, the G20 can therefore directly and indirectly influence global and national and governance arrangements. Central to improving governance arrangements is attaining a shared understanding of the values, norms and cultures which deliver ‘good enough’ governance to suit a particular circumstance. This cannot be addressed as a power relationship, rather it must be one of equals. The informality of the G20 can help it to build such consensus, but within this Western liberal democracies may need to accept change as much as more autocratic states. Equally, any change to governance processes must be both ‘top down’ and ‘bottom up’. The G20 should stimulate the much needed reform of both global and regional institutions, whilst also advocating effective and inclusive national governance, together with the promotion of transparency, rule of law, and the removal of corruption.

Globalization demands multi-vector governance mechanisms, protocols, and processes which enable exchanges between multiple actors, operating on several levels, each with varied and diverse interests. World Trade Organization Director General Pascal Lamy believes that global governance, including the United Nations system, can be described as a ‘triangle of coherence’. “On the one side of the triangle lies the G20, replacing the former G8 and providing political leadership, policy direction and coherence,....The second side of the triangle is the United Nations, which provides a framework for global legitimacy through accountability. On the third side lie member-driven international organizations, providing expertise and specialized inputs, be they rules, policies or programs.”<sup>59</sup> Lamy’s ‘triangle of coherence’ aligns well to the 3 dimensions of a basic global system at Figure 2, which illustrates clearly the need for collective action and responsibility rather than reliance on a particular individual actor. Nation states will remain, but formal institutions and informal groupings are needed to enable effective global governance. However, above all else, sustaining a global system demands well judged and coherent leadership.

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<sup>59</sup> Nicolas Berggruen and Nathan Gardels, *Intelligent Governance for the 21st Century A Middle Way between West and East* (UK and USA: Polity, 2013), 159.



which seek to attract and inspire rather than dictate. Nye contends that it is a mix of both hard and soft power, carefully matched to the situation, which delivers the greatest effect - 'Smart Power'. Nye also explores the transformational nature of leadership in which the agreement of shared values and norms sets the basis for a more enduring and resilient relationship. Conversely, transactional leadership is viewed as an unequal power relationship of short duration. In this sense, the G20 should be seen as being at the transformational end of the spectrum.

Leaders 'own' and have direct responsibility for the narrative, providing their followers with the context and rationale upon which, ultimately, the authority to lead depends. Striking the balance between national and global agendas is therefore vital ground for political leaders in retaining power. With an increasingly better educated and more knowledgeable populous, tensions exist however in how the message is framed. In seeking a greater 'convergence of interests', communications strategies will need to link global concerns with regional and local issues in a way that better relates citizens to the way they are governed. The crux of the matter is gaining agreement amongst global leaders on the ways and the means, which actually demands agreeing to shared values and norms. Is the economy to be consumer driven? How much should be driven by a free market? How much state engagement should there be? In short, what should the rules of the game be? Leaders also have very limited time to engage, so the agenda must be kept tight and the outcomes iterative. "Action [should be] understood not in the sense of a single moment but rather [in] a pattern [which] emerges over time."<sup>62</sup> As such it is possible to see the creation of the G20(L) as a 'child of its time'. It is a reflection of a globalized world in which national leaders cannot act in isolation and must find compromise in dealing with global risks. Changing governance cultures will take time. Establishing trust and a personal bond between leaders is essential, but this is constrained by different stages of political maturity across the globe and the short term nature of most national governments. In these circumstances, flexible and agile meeting arrangements appear to have greater power than seeking further institutionalization.

## Conclusion

Drawing upon a range of research from different political scientists and analysts, this paper began with the premise that the world is increasingly globalized and interconnected. It also accepts that the world can be described in a systemic manner in which Conflict, Development and

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<sup>62</sup> Peter Aagaard and Michael Strange, "Complex Global Governance - A New Methodology?," in *Governance Is It For Everyone?*, ed. Ann Marie Bissessar (New York: Nova Science Publishers, Inc, 2012), 95.

Governance are interrelated. Within this context, this paper has considered whether the G20 can embrace the pluralism and diversity evident within an increasingly globalized world. It seeks to determine whether the G20 can contribute toward development, reduce the risk of conflict, and nurture more effective governance? Can the G20 enhance global system performance through more ‘intelligent governance’? Fundamentally, can the G20 provide the leadership and governance necessary to respond to future global risk and uncertainty?

Through gauging global risk and future uncertainty, and in reviewing existing global governance regimes, this paper has identified the importance of the G20 in responding to the existing structural imbalances and inequalities across the globe, as well as managing the transformational socio-economic changes that are rapidly unfolding. The nation state alone is not well equipped to respond, nor are the existing international governance arrangements, such as the UN, ECOSOC, and UNDP agile and responsive enough. New, less formal, and less institutionalized forums are needed. As such the G20, drawing together 19 diverse nations and 1 regional body, together with the heads of international bodies such as the IMF, World Bank and the World Trade Organization, reflects a pragmatic reality of today’s global world. It marks a transition in governance terms. Self organizing, the G20 is a child of its time and it will continue to grow and evolve.

In demonstrating its capacity to respond to the 2008 Financial Crisis, expectations were set high when the G20 stated it was ‘the world’s premier forum for economic development’. However, many question its legitimacy and credibility as a forum, and its current limitations must be acknowledged. The G20 is not (yet) configured to deal with security issues. Rather its primary focus must be on ensuring global financial security and coordinating global macro-economic policy, which will set the conditions for more inclusive governance. In doing so, the G20 could enable significant steps to be taken toward what Pascal Lamy refers to as a ‘triangle of coherence’ in governance terms, and to what Berggruen and Gardels refer to as ‘intelligent governance’.

It is simply too soon to determine if the G20 is evolving toward a ‘steering body’. Nor is it viable to gauge success or not. How do you gauge success with so many variables? What is clear, at least in this subjective analysis, is that the limits of national power are increasingly being exposed - collective ideals and shared values are needed in the international sphere. Equally clear from the growing depth of global governance research is that global forums are not just the ‘sum of their parts’. A new vision and global direction can emerge from the G20, subject to the right political will. The G20 has made a very positive start. Its great strength lies in promoting interconnectivity,

dialogue and agreeing the direction of travel amongst nations - based on shared values and principles, rather than traditional power politics. Realists must give ground to the idealists and the humanists. Leadership must be visionary rather than transactional, soft not hard power has primacy. Finally, through this analysis, it is reasonable to deduce that the G20 represents a transformationalist rather than hyperglobalist form of governance.

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1 May 13

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