

The G20's Growing Governance, 2008–2022

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Introduction

Today's Group of Twenty (G20) systemically significant states was created in 1999 as an informal international institution of finance ministers and central bank governors. It arose in response to the Asian-turned-global financial crisis of 1997 to 1999, with which the established multilateral organizations from the 1940s could not cope. It became a leaders' level summit in 2008, in response to the faster, broader, deeper American-turned-global financial crisis erupting then. It has now become the central global summit institution governing the much larger COVID-19-catalyzed crises that emerged in 2020 and the ecological crises that dominate our lives today. Whether it can cope with these, and with the current geopolitical crises in Europe and Asia, is an unprecedented test, whose outcome matters to us all.

It is thus of vital importance to know what the G20 is, how well it has worked, and why it has done so, as a foundation for discovering how it can be made to work better in the months and years ahead.

For this lecture I will thus examine the G20's creation, institutional evolution, performance, their propellers, and my proposed reforms.

I will argue that the G20 has become the central, increasingly successful, global governance institution, capable of handling the unprecedented, interconnected crises we face today. But it can be, and must be, made to work better, for the deadly global challenges we face are growing faster than the G20's performance is. To control them in time, there is nowhere else to go.

The Concept of Systemic Significance

Historically, global governance has come from a small group of major powers who came together as self-contained, sovereign, territorial states to shape the slow-moving world of old. A country's relative capability – its power – determined how that world worked.

Yet as the 21st century began, the process of globalization made connectivity among countries and their societies as important as their relative capabilities in defining who was needed in the top-tier global governance club. Connected countries were vulnerable to importing contagious infections from elsewhere. They made others vulnerable by sending home-grown ones abroad. These globally contagious infections arose in finance in Thailand in 1997, in finance in the United States in 2008, in the COVID-19 virus in China in December 2019, and from growing greenhouse gas emissions from everywhere by 2021.

Capability and connectivity combined to create a new concept and category of “systemically significant” states. This concept guided Canadian finance minister Paul Martin and U.S. treasury secretary Larry Summers when they created the G20 in 1999.

Membership: Capable, Global, Compact, Balanced

When these two founders applied the concept to the candidates for membership, 19 countries made the cut. They came in four categories.

First, the Group of Seven (G7) major market democracies of the United States, Japan, Germany, France, the United Kingdom, Italy and Canada.

Second, the big emerging powers, the BRICS of Brazil, Russia, India, China and South Africa.

Third, the MIKTA middle powers of Mexico, Indonesia, Korea, Turkey and Australia.

Fourth, the two outsiders of Saudi Arabia and Argentina.

Their combined capabilities gave them globally predominant power: about 80% of the global economy, population, territory and most of the specialized capabilities needed for global governance.

This was a geographically representative group, covering all major regions.

Asia led with seven: Russia, China, India, Japan, Korea, Australia, and Indonesia.

Europe had four: Germany, France, the United Kingdom and Italy.

North America had three: the United States, Canada and Mexico.

South America had two: Brazil and Argentina.

The Middle East had two: Turkey and Saudi Arabia.

Africa had one: South Africa, with Nigeria initially assigned a seat it never assumed.

The group was compact, making each member to see itself as part of an exclusive top-tier club. Here it could exercise its systemic responsibility by adjusting to the other members, as a leader or follower, and by adequately monitoring its partners to see if they complied with the collective commitments all made.

Balance came from the relatively equal number of advanced and emerging countries, and of fully democratic and less democratic ones.

The G20 innovatively had as full members the old multilateral organizations born at Bretton Woods in 1944: the International Monetary Fund (IMF) and the World Bank.

Unlike most such plurilateral summit institutions (PSIs), such as the G7 or the BRICS, the G20's membership remained the same for more than two decades now.

Mission

The G20 has two distinctive foundational missions. The first is to promote financial stability. The second is to make globalization work for the benefit of all. Both directly reflect the intense connectivity that defines the 21st-century world.

Finance Ministerial Meetings, 1999–2008

During its first decade, from 1999 to 2008, the G20 met only among its finance ministers and central bank governors once a year.

Hosting passed from the G7 to the non-G7 members. The world's two most economically powerful countries, the United States and Japan, never hosted, letting lesser powers lead. But Indonesia never did.

The agenda quickly expanded. It added the security subjects of terrorist finance and the war in Afghanistan at its third meeting, in Ottawa, in November 2001.

The G20 produced solutions that other bodies could not. The biggest was reforming the IMF to give the emerging powers a proportionately great share of the executive board's overall voice and vote.

Summit Meetings, 2008–2022

The equalization in hosting was repeated after the G20 became a leaders' level summit in November 2008. Summit hosting started with the G7 members of the United States, United Kingdom and Canada, then moved to members of the Organisation for Economic Co-operation and Development (OECD) – Korea in 2010 and Mexico in 2012 – then the BRICS with Russia in 2013 and China in 2016, then the outer ones of Argentina in 2018 and Saudi Arabia in 2020.

G20 summitry started with two meetings a year from 2008 to 2010, to confront the American-turned-global financial crisis raging then. It dropped to only one a year from 2011 to 2019. But it returned to two in 2020 and grew to three in 2021, to confront the COVID-19 crises and the Taliban takeover of Afghanistan in August 2021.

Guests: Countries and International Organizations

G20 leaders invited to their summits a few guests Spain came to all. Other guests reflect the region or priorities of the summit host each year. Regular guests include the chair of the Association of South East Asian Nations (ASEAN), the African Union and the New Partnership for Africa's Development (NEPAD).

Guests also come from the heads of selected multilateral organizations. The United Nations has been at every one. The International Labour Organization (ILO) started in September 2009. Added later were the World Trade Organization (WTO) and now the World Health Organization (WHO).

Ministerial Meetings

G20 ministerial meetings grew.

Finance ministers and central bankers met more frequently since the summit started in 2008.

They were joined by meetings for ministers of:

- labour and tourism starting in 2010
- agriculture and development in 2011
- trade and foreign affairs in 2012
- energy in 2015
- digitalization and health in 2017

- education in 2018
- the environment in 2019, and
- anti-corruption in 2020.

In 2020, a dozen different ministerial groups met, covering economic, social, ecological and security affairs.

Working Groups

Working groups and task forces of officials also expanded, since the first four were created in 2008. By 2022 there were at least 18.

Civil Society Engagement Groups

Formal civil society engagement groups began in 2010 with the traditional ones for business and labour. Then came those for:

- think tanks in 2012;
- civil society organizations in 2013;
- youth in 2013;
- women in 2015;
- science in 2017
- urban affairs in 2018; and
- supreme audit institutions in 2022.

The Business 20 remains the most influential one.

There are also unofficial engagement groups, such as the Young Entrepreneurs Alliance, the G(irls)20 and the Inter-faith Dialogue.

Expanding Performance

This increasing institutionalization fostered growing performance, through three phases:

First, financial crisis response from 2008 to 2012;

Second, multi-subject, proactive steering from 2013 to 2019; and

Third, COVID-catalyzed, comprehensive, crisis response since 2020.

Six Performance Dimensions

In each phase, performance expanded in most of the six core functions such summits have.

The first is domestic political management. Leaders go the summits to secure status for themselves and their country, and support for their policies, political positions and popularity back home. G20 summits are indeed a “photo op,” as their critics claim.

The second is deliberation, taking place privately and publicly to produce collective conclusions. Leaders’ private deliberations can be like a global “hot tub party,” as their critics also claim.

The third is principled and normative direction setting. Here leaders come to consensus on facts, causation and rectitude and what is prescribed, prohibited and permissible. G20 summits can indeed be great global “bully pulpit,” where leaders preach to the world.

The fourth is decision-making, to create public, precise, future-oriented, politically binding collective commitments. G20 summits are indeed a global *directoire*, as a board of directors for the world.

The fifth is the delivery of those decisions, through members’ compliance with their leaders’ commitments, before the next summit arrives.

The sixth is the institutional development of global governance, inside and outside the G20.

Performance Table

Charting G20 performance on these dimensions, at each of its 16 summits, shows the G20’s comprehensive rise to strong performance at Hamburg in 2017, then a substantial decline, and a revival at Rome in 2021.

Performance Patterns by Dimension

Domestic political management rose to peak from 2011 to 2014, then plunged, but revived from 2019 to 2021.

Deliberation rose to peak in 2013 and 2017, then declined, but revived in 2021.

Direction setting rose to peak in 2013 and 2017, then declined.

Decision making rose to peak at 529 commitments in 2017, then declined, but rose to 225 commitments in 2021.

Delivery rose steadily since 2017, reaching a very high 86% for Riyadh in 2020.

Development of global governance rose to peak in 2016 and 2017, then plunged, but revived a bit in 2021.

Decision Making: Equality and Leadership

A close look at the dynamics of decision making and delivery shows that the G20 increasingly operates as a club of equals, when any member can lead and where all adjust.

This equalization arises in:

First, institutional leadership, through summit hosting and priority agenda setting.

Second, material leadership. Here the great transformation came at the Los Cabos Summit in 2012. G20 leaders helped stop the escalating European financial crisis by creating at the IMF a \$500 million “firewall fund”, without the United States contributing at all. The United States thus abandoned its longstanding hegemonic position as the international lender of last resort.

Third, policy leadership, as Australia did in its initiative on social media terrorism at Osaka in 2019, in response to the live-streamed massacre in Christchurch, New Zealand.

Delivery: Growing Equal Compliance

The G20's compliance performance shows growing equality, too.

Compliance averaged 72% over the first 15 years, nearing the levels of the smaller, more homogenous G7 and BRICS clubs.

G20 compliance rose to 79% for 2018 and 2019 and to 86% for Riyadh in 2020, as Donald Trump and then COVID-19 arrived.

All G20 members complied more equally together, led by the members of the European Union, G7, BRICS and OECD clubs.

Governing the Global Economy

In governing the global economy, its core focus, the G20 has produced several stand-out successes.

The finance ministers G20 helped end the Asian-turned-global financial crisis from 1997 to 1999.

The leaders' G20 solved the bigger, faster, deeper American-turned-global financial crisis from 2008 to 2009.

It prevented the regional European crisis from going global from 2010 to 2012.

It prevented another regional or global financial crisis from erupting from 2013 to 2022, despite the COVID-19 shocks since early 2020.

Successful Economic Solutions, 2008–2022

The G20 summit produced many other economic solutions from 2008 to 2019.

The IMF and World Bank got more money and reform of their executive boards to give rising powers greater voice and vote.

Growth was restored and shared after 2008, with and beyond the booming BRICS, until the great COVID-19 crises came in 2020.

Growth quickly returned in 2021, after a plunge of only one year for most members, with China bouncing back fast and first.

The G20 brought the economic benefits of globalization to many, especially in China.

Digital tax governance transformation was agreed in 2021.

The G20 thus gets high marks for promoting financial stability.

But it has done less well in making globalization work for all.

Phases of G20 Economic Governance

The G20 summit's expanding economic agenda had five overlapping phases of focus.

G20 Social and Sustainability Governance

The G20 increasingly added social and sustainability subjects to its agenda.

- 2009 Labour-employment
- 2014 Gender equality
- 2014 Health (with the Ebola epidemic, 2019 universal health coverage)
- 2017 Oceans (with marine litter)
- 2018 Land
- 2019 Aging

G20 Security Governance

The G20's security agenda and successes have expanded too

- 2001 Terrorism finance and Afghanistan
- 2008 Crime-corruption
- 2009 Nuclear proliferation in Iran, and 2017 in North Korea
- 2013 Chemical weapons in Syria, which were removed until 2016
- 2015 Terrorism as a whole
- 2021 Afghanistan again

Intellectual leadership equalized too. In November 2001, the United States depended on Saudi Arabia, Turkey and Indonesia to understand how Islamic finance was used to support the terrorist attacks on the United States on September 11, 2001.

The Rome Summit's Significant Success

Last year, the G20's 16th regular G20 summit, hosted by Italian Prime Minister Mario Draghi in Rome on October 30–31, 2021 was a significant success.

Participants

At Rome host Prime Minister Mario Draghi was participating as Italy's leader in his first regular, in-person G20 summit with a comprehensive agenda, after hosting the virtual G20 Global Health Summit on May 21 and the G20 Summit on Afghanistan on October 12. He was an experienced G20 participant, and as "Super Mario" has helped save Europe from its financial crisis in 2012.

Fresh energy came from US president Joe Biden at his first face-to-face G20 summit.

But Angela Merkel came with her political power gone. A distracted Japanese prime minister Fumio Kishida was participating virtually for some portions amidst the general election he had called for October 31.

The G20 veterans were Indonesia's Joko Widodo, who would host in 2022, Saudi Arabia's King Salman bin Abdulaziz Al-Saud, who hosted in 2020, Canada's Justin Trudeau, France's Emmanuel Macron, South Africa's Cyril Ramaphosa and Australia's Scott Morrison.

The newer leaders Argentina's Alberto Fernández, the United Kingdom's Boris Johnson, the European Union's Ursula von der Leyen and Charles Michel, Kristalina Georgieva of the International Monetary Fund (IMF) and the World Bank's David Malpass.

Just before the summit, three key leaders confirmed they would participate virtually rather than travel to Rome: Russia's Vladimir Putin, who hosted in 2013, China's Xi Jinping, who hosted in 2016, and Mexico's Andrés Manuel López Obrador.

Themes: People, Planet, Prosperity

Rome's priority themes were "People, Planet, Prosperity."

They confronted the central crises of the COVID-19 pandemic, its contraction of commerce, climate change, social cohesion, and connectivity in a digital age.

On Covid, Italy wanted a rapid response to the pandemic and an early warning mechanism for future economic, health and environmental risks.

On connectivity, it wanted co-ordinated digital platforms for productivity enhancing investments.

On climate change it wanted a digital green infrastructure in transportation, cities, and nature.

It also wanted central bank support for climate change control, green growth, renewable energies and the common environment.

On commerce, it sought financial inclusion for MSME, digital finance and digital awareness.

It also wanted environmental taxation, an end to fossil fuel subsidies, and carbon pricing.

Ministerial Meetings' and Special Summits

Momentum for summit success came from the results of the many G20 ministerial and special G20 summits held on the road to Rome.

Ministerial Meetings

There were 14 such ministerial meetings, covering 14 portfolios, with some combined

They started in the spring with meetings for culture and tourism, labour and education, foreign affairs and development, and development alone.

The summer added economy and finance, the environment, climate and energy, and innovation and research.

The autumn had health, agriculture and trade, with finance and health ministers meeting jointly on the summit's eve.

Such pre-summit ministerials are the strongest predictor of summit members' compliance with the commitments on the same subjects that their leaders would make.

G20 Special Summits

A further boost for progress on COVID-19 came from the G20's virtual Global Health Summit on May 21, 2021. It made 53 commitments, all on health, but with a few related to development, trade, international cooperation, democracy, the economy, the environment, digitalization, gender and age.

The second special summit, on Afghanistan on October 12, broadened the G20 leaders' security governance. Its communique contained consensus principles, rather than commitments.

These summits raised the frequency of G20 summitry to a new high of three summits in one year.

Results

The G20's Rome Summit produced six significant results.

First, on the economy, G20 leaders approved a revolutionary new tax regime where multinational corporations will pay taxes in the countries where they make their profits, rather than in the tax havens where they say their headquarters is. They will also pay a 15% minimum tax.

Second, on development, leaders agreed to channel some of the new \$650 billion SDRs they had created at the IMF in August to the poor countries that needed them the most. They also agreed to ambitiously replenish the International Development Association grant fund by December.

Third, on health, leaders promised to help vaccinate at least 40 percent of the population in all countries by the end of 2021 and 70 percent by mid-2022, as recommended by the WHO.

Fourth, for future pandemics, they promised to develop new vaccines within 100 days, rather than the current 300 ones.

Fifth, on climate change, they promised, to end public finance for international coal power by the end of 2021.

Sixth, to control climate change through stronger carbon sinks, they agreed to help plant 1 trillion trees by 2030

Performance

These significant results are seen in Rome's performance across the six key dimensions of governance.

In its domestic political management, attendance at the summit was complete. And the communiqué contained four compliments: two to Italy and two to Saudi Arabia. But private conversations were few, as the leaders of China, Japan, Mexico, Russia and Saudi Arabia participated only in virtual form.

In its public deliberation, its one communiqué had 10,060 words, the 8th highest ever, ranked eighth among the 16 summits. Development came first with 26% of the communiqué, followed by climate change with 21% and health with 16%

In its principled and normative direction-setting, there were five affirmations of financial stability (below the average of 30), but 27 of globalization for all (near the average of 30).

In its decision making, Rome's leaders made 225 commitments, the fourth highest ever. Health led with 35, followed by the digital economy with 26, crime and corruption with 23, and the climate change and the environment with 21 each.

The delivery of these decision was likely to be strong, due to the high number and breadth of pre-summit ministerial meetings, and the many proven compliance catalysts contained within the commitments.

48% of the 225 commitments were highly binding ones. Climate change had 71%, health 40%, and macroeconomic policy 29%. Financial regulation had 86%, food and agriculture 75%, crime-corruption 65%, energy 50%, and the digital economy 46%.

The development of global governance was small. The communiqué made only 31 references to 8 institutions inside the G20, led by the Financial Stability Board with 10, followed by the G20 in general with seven, the finance ministers with four, and central bank governors with three.

There were 70 references to 25 outside bodies, led by the OECD with 13, followed by the WHO and the IMF with 10 each, the WTO with seven, the Financial Action Task Force (FATF) with five, and the World Bank and ILO with three each.

Propellers of Performance

Propelling this significant performance were six strong forces.

The first force was shock-activated vulnerability. It came with unprecedented severity to all G20 members from COVID-19, climate change and economic contraction, and then energy, food and Afghanistan.

The second force was the major multilateral organizational failure in controlling these shocks without the G20's help. The WHO, IMF and World Bank had too few resources, while the many multilateral environmental organizations were too weak and fragmented to counter climate change.

The third force was the strong globally predominant, internally equalizing capabilities of G20 members, needed to substitute for multilateral organizations to control these shocks. The G20's global predominance rose, while China's growth surpassed that of the US inside the G20. The same was true for the key specialized capabilities for health and climate change, where China was in the top tier.

The fourth force was G20 members' convergence on common principles and practices. It did decline on democracy, due to China, Russia and Turkey. But elsewhere it rose, as most big G20 members were producing, sharing or financing COVID-19 vaccines, acting to control climate change and stimulating their economies in fiscal and monetary ways.

The fifth force, now constraining progress, was the uncertain domestic political control of most key G20 leaders, especially in the US, Germany and Japan.

The sixth force was the G20's status as the leaders cherished club at the hub of an expanding network of global summit governance. In person summitry was back. Rome capped a year of unprecedented G20-centred summitry that would culminate in Glasgow right after Rome.

Prospects for Bali, 2022

For Indonesia's G20 summit in Bali on November 16-18, 2020, there are promising prospects, but several problems too.

To deliver its theme was "Recover Together, Recover Stronger" and its three core priorities of the global health architecture; digital transformation; and sustainable energy transition, Indonesia plans a large array of 15 ministerial meetings. Finance has 5, health 3, and education, tourism, research and innovation, digital economy, energy, environment and climate, and agriculture has one each.

Eleven working groups are scheduled to meet. Only one was mandated to address climate change.

Priority Problems

Yet the Bali Summits faces an unusually large list of pressing problems across and among the social, economic, ecological and security fields. Ten stand out.

1. Vaccine equity, as the Omicron variant spreads and new variants could arrive at any time.
2. Economic growth, which is increasingly uneven, with different rates across different countries, depending on vaccination rates, the ability to recovery, and the sustainability of fiscal and monetary support.
3. Green recovery, where everyone wants an inclusive, smarter, greener recovery and increasing carbon prices gradually, but disagree about what “gradual” means.
4. Fiscal and monetary stimulus, while reducing the unprecedented government fiscal deficits, the debts of public and private actors, the monetary stimulus from the major central banks, and inflation, which is stronger for longer than first thought.
5. Tax, where the G20 must implement its new corporate tax regime.
6. SDR allocation, where by late February 2022, G20 members had only given \$60 billion of the \$100 billion they had promised at Rome in voluntary channeling to poor countries through the IMF's new Resilience and Sustainability Trust (RST) and its old Poverty Reduction and Growth Trust (PRGT). The US led with \$21 billion, but China gave only \$14 billion.
7. Debt relief for vulnerable countries, where China resists disclosing and writing down or off the debts of its client countries.
8. Trade, where the deadlock on WTO reform remains.
9. IFI resources, which must be raised to meet the SDGs and the promised climate finance.
10. Russia, whose invasion of Ukraine has raised energy prices, increased financial stress, and reduced the willingness of G7 members to co-operate on all the key challenges they face.

Conclusion

Climate Change is the Central Crisis]

Climate change control will be critical to the G20 summit's success, at Bali and beyond.

The steps taken by the UN, G20, G7 and BRICS on climate change in 2021 fell behind the growing demand to control this existential threat.

Many nature-based solutions exist, as sinks to reduce greenhouse gas emissions, and as sources of the energy, food and health we need.

Indonesia is a natural superpower, well equipped to lead the Bali summit to success here, on forests, peatlands, mangroves and much else.

Yet Bali's bolder climate change commitments will need better compliance to have the needed impact.

Thus far, G20 members comply with their climate change commitments at only 67%, their energy ones at 70%, and their environment ones at 73%.

Compliance Must Improve

How can this better compliance come, to improve G20 effectiveness and legitimacy too?

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- Have G20 environment ministers meet more often.
- Make strongly binding commitments on climate change & biodiversity.
- Bring to the Bali summit the executive head of UN Biodiversity
- Hold a special G20 summit, focused on the SDGs, at the UN General Assembly in September.
- Foster an "Environment 20" engagement group.

No Alternatives Exist

In closing, we must make the G20 work, because there is no alternative global governance body to take its place.

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