The EU in the global club of powers: the case of the EU in the G20

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Summary

- What does the G20 represent and why was it created?
- What is the contribution of the G20 to the global governance?
- Is the G20 important for the EU and what is the EU input to the G20?
- What are the limits of the EU role in the G20?
- What kind of theoretical interpretation?
What is the G20?

- Forum for dialogue on key world economic & financial issues

- Aim:
  - to become a key forum for international economic policy coordination

- Composed of industrialized & (re)emerging actors: 19 countries + 1 R.O. ➔ EU
  - 65% world population
  - 79% world trade
  - 85% world economy
  - 79% world carbon emissions
Is the G20 an I.O.?

What is an I.O.?

definition from the *Int. Law Association*

An I.O. is ‘created under international law by an international agreement amongst States, possessing a constitution and organs separate from its members’
What about the G20?

- G20 is a group of international actors
  - Operates as an informal forum:
    - G7
  - No legal foundation → no constitution or treaty
  - No budget
  - Lacks permanent structures:
    - no permanent secretariat
    - work managed by a Troika: regionally balanced
      - current rotational presidency + previous & following presidencies:
        - 2018 → Argentina
        - 2019 → Japan
        - 2020 → Saudi Arabia

- The decisions in the G20 are taken by consensus:
  - non-binding political commitments
How were the MS of the G20 elected?

- No legal criteria for membership

- G7 selected the 20 original members of the G20:
  - informal criteria
  - ’important player’ role in the world economy
  - political & geopolitical reasons:
    - Iran or Taiwan compared to S.A.? → excluded due to political sensitivities
  - The group needed to be ‘regional balanced’:
    - The Netherlands and Switzerland excluded to the benefit of Saudi Arabia, Argentina & S.A.
Why was the G20 created?

- To cope with the long crisis of global governance

- Since 1970 ⇒ world + & + unpredictable:
  - Globalization & transnationalization ⇒ weakening of State power
  - Integration of the global financial market:
    - Increasing financial speculation
    - Increasing currency competition
    - financial markets + & + volatile
  - The absence of a global authority, the weakening of the State power & the proliferation of global crisis created the need to launch a new Bretton Woods system

- the old Bretton Woods system ⇒ established by the US (1945-1971):
  - economic and monetary order:
    - currencies were fixed to the dollar ⇒ stability -) hegemonic order
    - the dollar was pegged to gold.
  - System based on a combination of free trade & welfare = ‘embedded liberalism’
  - Multilateral global organizations (IMF, WB, GATT)

- 1971: Nixon ⇒ end to the system: a lot of instabilities
From the G7 to the G20

Most industrialized countries decided to set up → the G7 (1975):
- Informal dialogue: exchange views, ideas, makes recommendations:
  - to rebuild a new world order after the Bretton Woods system

A lot of criticism:
- From developing and emerging countries, alterglobalist movements:
  - Lack of legitimacy → G7: representing a very limited number of rich and powerful countries
  - G7 unable to effectively respond to the financial crisis of the nineties:
    - Mexico, South-East Asia, Russia, Brazil, Argentina
  - → malfunctioning of the international financial system

G7 proposed the G20 → it started bringing together:
- finance ministers & central bank governors of the G7, 12 emerging economies & the EU
- ‘Systemic crisis’ of 2007-2008 → G20 upgraded to the level of Heads of State & Government

G20 = expression of a shift of power in global affairs:
- → the increasing multipolarity of the world economy and politics
What are the topics addressed by the G20?

- The G20 traditionally focuses on issues related to:
  - global economic growth,
  - against protectionism
  - financial market regulation

- Main purpose:
  - reinforce the global financial system
  - improve the supervision & regulation of financial market participants

- Other issues of global significance:
  - Climate change
  - Refugee crisis
  - Corruption
  - Development aid
  - Geopolitical issues: war in Syria, Ukraine
  - etc.
Results of the G20 in term of global governance?

- In the aftermath of the global financial crisis (2008)
- G20:
  - delivered positive results in handling the effects of the crisis
  - succeeded in averting the possibility of an economic depression
Why? ➔ Global leaders undertook quick actions

- Several Head of State summits between 2008-2010 (2 per year):
  - political message: ‘global leaders are in charge’

- Economic and financial decisions:
  - reduction in interest rates
  - to support their economies with stimulus packages
    - the founding came through several global institutions
  - to inject more money into international institutions (IMF)
  - reform multilateral institutions (IMF & WB quota)
    - more power decision to emerging countries
  - New global institutions were created such as the
G20 Summits of heads of state
Criticisms

- 2 types of criticism address to the G20
  - lack of effectiveness
  - lack of legitimacy
Lack of effectiveness

- The G20 is become less efficient (Jim O’Neill):
  - lack of pressure
  - limited trust between some major actors:
  - heterogeneity of the members

- Very wide agenda:
  - Disparity between intentions and results:
    - Many key proposals were not carried out
Lack of legitimacy

- Question raised about the G7

- G20 also affected by a lack of legitimacy:
  - G20 excludes more than 170 countries
  - G20 self-appointed forum:
    - lacks clear, transparent and objective criteria for membership:

- Huge criticism on the informal character of the G20:
  - It causes a ‘representational illegitimacy’
Answering criticism

- **Legitimacy**
  - heavy ‘economic weight’ --> warrants legitimacy

- Concerning the lack of representativeness:
  - G20 -) ‘listen carefully to all institutions and countries that are not in the Group’
  - ‘Evidence’ of that:
    - Inviting countries, regional organizations and multilateral organizations:
      - AU, NPAD, Asean, ...
      - IMF, World Bank, FSB, OECD, WTO, ILO, UN…
  - Civil society:
    - Business 20
    - Labour 20
    - Civil 20

- **Informality**: ‘power of informality’
The EU representation in the G20

In contrast to the G7, the EU was granted official membership of the G20 from the very beginning:

- G7 ➔ 1975
- The excluded EC MS ➔ advocated for representation of the EC
- But the G7 considered it could:
  - complicate talks and
  - overload the agenda
- The excluded EC MS lobbied and the European Council decided:
  - President of the Commission and
  - the rotating President of the council
- The work of the European institutions very much appreciated in the G7:
  - this is why no one questioned EU’s membership of the G20

Who represents the EU in the G20?

- President of the European Commission
- President of the European Council
- EU4: France, Germany, Italy and the UK

over-representation
What is the importance of the G20 for the EU?

- a new channel of high-level multilateral diplomatic relations with:
  - established and emerging powers

- visibility, recognition and legitimacy
  - it may contribute to its diplomatic prestige and international standing

- opportunity for the EU to shape the international agenda
What is the EU input to the G20?

- EU priority at the G20 ➔ the reform of the global financial
  - thanks to its expertise the EU has managed to influence the G20’s agenda:
    - fighting bank secrecy
    - regulating financial products and institutions
    - inclusion of climate change in the agenda

- EU ➔ one of the G20 leaders in terms of
  - following up and
  - Implementation of the Group’s recommendations
    - it makes its voice stronger

- The most optimistic:
  - over-representation gives to the EU good bargaining power:
    - But it is Not always true!
Conflicts of interest between participants from the EU

- EU encounters some difficulties in forging a coherent and unitary action:
  - conflict with EU participants and non-G20 EU MS:
    - Examples:
      - Tax havens:
      - IMF reforms:
  - conflicts between EU members of the G20:
    - Traders’ bonuses:
      - France against UK
    - common package of stimulus measures
      - Germany against, the UK in favour: ➔ European cacophony in the G20
  - relations between the EU and the EU4:
    - G20 = State-centric forum
    - EU position in the G20 is quite delicate and diluted
      - very unlikely EU representatives go against & veto a G20 decision covered by the EU4
Let’s see how do the theories of IR interpret the G20 & the role of the EU in that forum

- Realism
- Liberalism
- Transnationalism
- Structuralism
Realism:

- **G20 =**
  - group of powers
  - it is at the disposal of its MS ➔ no acting in favour of global governance

- NO capability to act independently from its MS

- **G20 = current distribution of power in the international arena**
  - multipolarism

- **EU = insignificant actor:**
  - ➔ undermined by the presence and role of some of its MS
Liberal approach

- More optimistic

- G20 supports multilateralism ➔ facing harsh time:
  - protectionism, trade wars, return of the narrative on sovereignty, unilateralism …

- G20 = opportunity for world leaders to:
  - meet, discuss and coordinate responses to global issues
  - managing complex interdependence
    - performs a potentially important role in global governance

- What about the EU?
  - G20 gives visibility and recognition to the EU
  - EU using the G20 to construct its role as an international actor
Structuralism

- Addresses several critical questions:
  - What about the rest?
  - What about the developing countries = majority

- G20 = structure → contributes to the domination & exploitation of the great powers over the poor countries

- G20:
  - legitimates & reinforces global capitalism &
  - power of global corporations

- EU = takes part to the ‘wild global capitalism’ & exploits the weakest
Transnationalism

- It goes beyond the formal G20 Head of State Summits process:
  - Informal mechanism of global governance
  - It puts the role of the nation state into perspective

- There is a significant activity occurring before the summit itself occurs:
  - Sherpas, independent experts, representatives from key I.O.s ...
    - Preparing material for deliberation
  - The transnational business and the transnational civil society:

- G20 =
  - Formal and informal global governance
  - Rising influence of transnational forms of governance established by civil society and business actors

- The EU:
  - Quite similar process of governance but more sophisticated:
    - Because of its decision making process