

# Changes in Global Governance: The Case of the G20

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# Declaration

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# Abstract

The 2008 global economic crisis marks the beginning of considerable systemic changes in global governance. The 'Group of 20' (G20), which entered the centre stage of global governance in response to the crisis, may be seen as both a result of and as a vehicle for those changes. Representing some 85 per cent of the global economy the group has the potential to alter the international order almost by stealth. Hence, there is good reason for undertaking a deeper examination of its role in and impact on global governance. This study critically examines some of the changes in global governance embodied – and brought about – by the G20. By using analytical tools from the critical theory of Robert Cox and constructivism, it studies changes in three dimensions of global governance: the material, the institutional and the ideational, so as to achieve a holistic understanding of the nature of the changes taking place within global governance. In so doing, the study sheds light on the role of the G20 in global governance, the impact of the group on global cooperation and the nature of the shift in global governance that it represents.

# Opsomming

Die 2008 globale ekonomiese krisis kan as die begin van aansienlike sistemiese veranderinge in globale regeerkunde beskou word. Die 'Groep van 20' (G20), wat in reaksie op die krisis 'n sentrale rol in globale regeerkunde ingeneem het, kan as beide 'n resultaat en drywer van hierdie veranderinge gesien word. Die groep verteenwoordig ongeveer 85 persent van die globale ekonomie, en het dus die potensiaal om grootskaalse verandering in die internasionale orde te weeg te bring. Dit is dus belangrik om die groep se rol in globale regeerkunde meer deeglik te ondersoek. Deur gebruik te maak van analitiese metodes wat gebaseer is op die kritiese teorie van Robert Cox asook konstruktivisme, ondersoek hierdie studie veranderinge in drie dimensies van globale regeerkunde. Materiële en institusionele veranderinge, asook veranderinge binne die dimensie van idees, word geïdentifiseer met die oog op 'n meer holistiese begrip van die aard van die veranderinge. Die studie werp daardeur lig op die rol van die G20 in globale regeerkunde, die groep se impak op globale samewerking, en die aard van die magsverskuiwing in globale regeerkunde wat dit verteenwoordig.

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# List of Abbreviations

ANC	–	African National Congress		
BRICS	–	Brazil, Russia, India, China and South Africa		
CIGI	–	Centre for International Governance Innovation		
FSB	–	Financial Stability Board		
FSF	–	Financial Stability Forum		
G2	–	Group of 2		
G5	–	Group of 5		
G6	–	Group of 6		
G7	–	Group of 7		
G7/8	–	Group of 7/8		
G8	–	Group of 8		
G20	–	Group of 20		
G22	–	Group of 22		
G33	–	Group of 33		
G77	–	Group of 77		
GDP	–	Gross domestic product		
GPE	–	Global political economy		
IGO	–	Intergovernmental organisations		
NGO	–	Non-governmental organisations		
IIS	–	International Institute for Strategic Studies		
ILO	–	International Labour Organisation		
IMF	–	International Monetary Fund		
IR	–	International relations		
NAM	–	Non-Aligned Movement		
UNGA	–	United Nations	General	Assembly

# 1 Introduction

## 1.1 The G20 and Changes in Global Governance

“Dramatic changes in the world economy have not always been reflected in the global architecture for economic cooperation. This all started to change today.”

- The White House on the G20, after the Pittsburgh Summit (2009a)

“There is a lot more systemic change than most had imagined there would be. The world stands at a critical juncture. We are likely to find ourselves looking back, and thinking: ‘those were critical years’”

- Yves Tiberghien (2011)

Continued instabilities experienced in the global economy since the global economic crisis that began in 2007/2008 have brought issues of systemic change and global governance to the attention of mainstream media and created an increase in academic interest on the subject of global governance. Not only was it the worst economic crisis since the Great Depression of the 1930s; it also led to unprecedented efforts to coordinate national economic policy responses. The Group of 20 (G20) has been the cornerstone of this coordination, and the first convening of the group at the leaders’ level – that is, at the level of the heads of the executive branch of member countries<sup>1</sup> – can be argued to mark the beginning of considerable systemic change within the structure of global governance. The issues dealt with by the group, and the level at – and frequency with – which its members meet, suggests that those changes are of

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<sup>1</sup> This is prime ministers, presidents and chancellors

quantitative as well as qualitative character. As the G20 represents some 85 per cent of the global economy (Forbes 2009), it has the potential to alter the international order almost by stealth. Hence, there is good reason for undertaking a deeper examination of the role of the group in global governance.

While the G20 was established in 1999, following the 1997 Asian financial crisis, it was only in response to the financial crisis of 2008 that it emerged as a major player on the international stage. The group began a dual existence on November 14<sup>th</sup>-15<sup>th</sup>, 2008, when then United States President George W. Bush, together with his successor and president-elect Obama, invited the leaders of what is often described as the world's 20 most systemically significant economies to Washington D.C. for 'The Leaders Summit on Financial Stability and the World Economy'. The latter has described G20 summitry as a "turning point in [the] pursuit of global economic recovery" (Kellerhals Jr., 2009), within which "unprecedented" action takes place (Obama 2009). He later expressed his view of the group as "[...] the premier forum for international economic cooperation" (White House 2010).

The increased weight acquired by the G20 through summitry has provided room for a growing and lively debate. Some see the introduction of the group to global governance as the most significant alteration of international relations in decades (Shorr and Wright 2010:181), while others remain more cautious about the implications of the entering of the G20 onto the centre stage of global governance (Wright 2010:185). Regardless, there is agreement amongst academics, as well as politicians and journalists that the group has the potential to alter the international order; its membership is unlike that of previous groups and its potential power is arguably unparalleled amongst the G's. This, combined with a desire to probe into the nature of the changes that are, at least in the general perception, occurring in global governance provides the rationale for the present study.

## 1.2 Problem Statement and Research Aims

The quote at the beginning of the introduction from a White House statement illustrates that the word 'change' – used twice in the sentence referred to – is central to many descriptions of the G20. The second quote on the ripple effect of the Global Economic Crisis, by Tiberghien, supports the argument and is representative of a growing scholarly interest in changes in the global system within which the group finds itself. In addition, more general media coverage of the group's activity suggests that it has become fairly commonly accepted that it represents change. In fact, today it is difficult to stumble upon a text on the G20 without encountering the word 'change'. Less, however, has been said on the nature of such change(s). For, while the term 'change' has frequently been used to describe developments within international relations in the new millennium – and has turned into a veritable buzzword under the Obama administration – surprisingly little effort has been made to qualify what is meant by it when it is used to describe the relationship between the G20 and global governance. Confronted with claims that the world is changing, it is necessary to launch an enquiry not only into *whether* change is taking place, but also *how* such change manifests itself. This study endeavours to contribute to fill that void in the global governance literature, by providing a step along the way towards a more critical approach to the role of the G20. Specifically, the aim of this research is to explore the nature of the change(s) brought about and embodied by the group.

This study is produced timeously, following the early incarnations of the G20 at the leaders' level. As we approach a post-crisis reality, it is necessary to look more closely at the G20. What role is the group playing, and what role is it likely to fill in the future? Does the G20 mark a power shift in global governance? What are the implications of G20 activity on global governance today, and what are they likely to be in the future? Is there at all, a future for the group? This study takes a closer look at what kinds of changes this new G20 ascendancy in global governance seems to result in. **The aim of this thesis is thus to critically examine some of the changes in global governance embodied by, and emerging from, the creation of the G20 and its increasingly important role since the 2008 global economic crisis** by deconstructing the perceived change and studying its elements. The premise of the thesis is that the application of critical theory

may provide us with a deeper insight into the nature of the changes embodied and provoked by the G20. Through critical application of theory to some of the changes motivating the creation of, and brought about by, the G20, this thesis seeks to contribute to the understanding of the evolving role of the G20 and its implications for international relations.

Three sub-research questions receive particular attention. These are:

1. What role does the G20 occupy in global governance?
2. How does the G20 affect global cooperation?
3. What kind of a shift in global governance relations does the G20 embody?

The following section provides a brief and critical review of the written work on the topic of the changing role of the G20 and its impact on global governance. Additionally, it touches upon the theoretical toolbox from which the analysis of this study draws.

### **1.3 Literature Review**

Global governance has long been an under-researched field of study in International Relations Theory and Global Political Economy (GPE) (Wright 2010: 181). The study of the new body of global governance that the G20 represents is not an exception in this regard. For instance, the literature dealing with global governance has yet to provide a comprehensive account of the role and nature of the G20. Until Cooper and Thakur publish their book *The Group of Twenty (G20)* in late January 2012<sup>2</sup>, no in-depth standard work on the G20, be it at a finance ministers' or at a leaders' level is available. Owing to this, in part, and because critical engagement with the literature on the G20 is an integral part of the thesis *per se*, this presentation does not provide an extensive literature review in this first chapter, but merely sketches the contours of some of the main contributions to and challenges in the field.

Perhaps the most widely quoted sources of information on the G20 have for some time been the Canadian G20 Research Group and the G20 papers of the Centre for International Governance Innovation (CIGI). In addition, the International Institute for

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<sup>2</sup> See 'Routledge (2011) in the reference list of this study for further information.

Strategic Studies (IIS) has produced papers on the G20 with some regularity. Today, the number of research institutions and universities including G20 into their research programmes is increasing rapidly. One of the more notable programmes producing some insightful reading on the G20 is the Global Economic Governance Programme of Oxford University – in which Ngaire Woods is a seminal figure. Some of these provide sophisticated and interesting perspectives on the G20 and its position in contemporary and future global governance.

Even a quick glance at the plethora of literature covering various emerging issues in the face of important developments in the G20, reveals some traits worthy of note. Although the research institutions such as those mentioned above have provided important news and analysis of G20 activity since the group began to meet at a finance-minister level, the academic literature covering G20 activity remains relatively modest, measured in the numbers of publications. However, the concerns are not merely of a quantitative nature; the lack of literature specifically addressing issues surrounding developments in the role of the G20 has left central issues to be dealt with by non-academic sources of literature, such as newspaper articles, political commentaries, policy papers and the statements of various ‘political experts’ and blogs. The qualitative concerns do not limit themselves to the surface-scratching nature of newspaper articles, blogs and shorter political commentaries, however, but extend also to more comprehensive sources of literature such as policy papers or shorter analyses of concrete cases.

Another common factor in the research listed above suggests that there is an Anglophone, not to say North American, bias in the field of G20-studies. This does not only limit the number of viewpoints from which the G20 is studied, geographically and politically, but it might also place constraints on what theoretical approaches are taken. Thus far, studies exploring the G20, and its role and impact in the global governance architecture by use of analytical tools from within more critical strands of theory and constructivism have been scarce. Much of the literature on the G20 tends to be less conscious of the ontology and epistemologies underlying it than that of more critical academic literature. It becomes ever more evident, when critically engaging with writings on issues related to the evolving role of the G20, that the production of knowledge and information is no neutral act. The recognition that the vast bulk of

information in the field is produced in the Western hemisphere, and that much of this information is provided for – and sponsored by – policymaking bodies in Western states encourages a critical approach to the content and purpose of such information. I will argue that the relationship between ‘reality’ and studies of reality is bidirectional: the development of new policies, aimed at adapting to the shifting role of the G20 is based on available research. Hence, scholarly contributions to a field – consciously or not – inevitably contribute to the sketching of the ‘reality’ of the G20. For a comparatively new field, such as G20-studies, this is perhaps particularly true. The ‘truth’ of the G20 is in the making, and will shape the perceptions of key policy makers in the years to come.

### 1.3.1 Theoretical framework

While the assumptions underlying the realist worldview that long dominated International Relations (IR) theory leave little room for change in international relations<sup>3</sup>, the traditional counterparts of realists – liberalists<sup>4</sup> – are more open to the possibilities of alterations of the international system and the behaviour of the actors within it. Contrary to realists<sup>5</sup>, who maintain that states are the sole significant actors on the international scene, liberalists also believe that international organisations, institutions and regimes may act as vehicles of such change (Keohane 1989:2; Nye, 1993:38; Hovi and Underdal 2003; O’Brien and Williams 2007: 20-30). However, with ontologies that do not give attention to ideational dimensions of international relations, both realist and liberalist theory face considerable restraints in their ability to provide a comprehensive account for change<sup>6</sup>. Drawing much on analytical tools from the more established field of G7/8 studies, the main preoccupation of G20 studies relates to G20 performance, capability, and legitimacy (See Helleiner and Pagliari 2008; Kirton 2009). Less attention has been paid to the effect of the G20 on global governance. Attempting to

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<sup>3</sup> The realist argument embraces an ahistorical approach to IR, in which by and large change does not occur. Instead, history repeats itself in a circular manner. See amongst others the writings of structural realist Kenneth Waltz (1979).

<sup>4</sup> Such as Deutsch *et. Al* (1957), Nye (1988), Keohane (1989), Moravcsik (1997) and Ikenberry (2001)

<sup>5</sup> Such as Morgenthau (1960), Jervis (1976), Waltz (1979), Walt (1987), Van Evera (1999), Mearsheimer (2001) and Carr (1964)

<sup>6</sup> It is worth questioning whether debate between the modern versions of realism and liberalism – neorealism and neoliberalism – is at all one between two polar opposite worldviews. They share a common epistemology, focus on similar questions, and agree on a number of assumptions about international politics. Rather, it seems accurate to label it an inter-paradigm debate. Steven L. Lamy (2006: 206) describes the neo-neo debate as a debate between ‘rulemakers’, that leaves out the voices of the margins or the ‘ruletakers’.

begin to fill this gap, this research applies theory to a relatively un-theorised field of inquiry, thereby framing the ‘change(s)’ taking place theoretically. In so doing, it draws on rich bodies of literature on the study of change and the role of institutions in global governance.

Seeking a more holistic approach to the study of the role of the G20 in the ongoing changes in global governance, this research draws from the postpositivist critical theory of Robert Cox, and also borrows analytical tools from within constructivist thought. As such, the theoretical approach of this study draws on analytical tools from within several postpositivist bodies of thought, rather than choosing one, overarching, theoretical body. This is built upon the belief that any critical study of change requires, as Susan Strange puts it “an imperative of multidisciplinary” (Strange 1996: xv). Both acknowledging the constructed nature of international relations – where the reality of world politics is not given but is a product of history, human action and thought, and is subjectively interpreted – critical and constructivist theory offers a critical distance to the current configuration of international relations that makes them well suited for the study of change. Chapter 3 offers a thematically relevant presentation of the theoretical bodies and analytical tools used in the research. As that presentation reveals, Coxian Critical Theory<sup>7</sup> and constructivism are central to the analytical approach of the study.

Coxian critical theory understands the world as being made up of different and conflicting social and political forces, which function in alliances that cross state borders. Interests may be shared between – and solidarity may be felt amongst – groups across borders as well as within states. Cox is furthermore influenced by his tendency – perhaps particularly in earlier years (Cox in interview with Shouten 2009: 3) - to think about things in historical terms. Not merely history in the sense of what happened in the past, but rather history as a way of understanding processes that occur in the world. Inspired amongst others by Gramsci, Vico and Collingwood, Cox has developed an own sense of historical materialism. He draws a distinction between what Collingwood spoke of as the ‘inside’ and the ‘outside’ of historical events (*ibid.*). When the positivist studies events by classifying and collecting data and drawing inferences from them, he sees the

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<sup>7</sup> A label to Cox’s theory originally coined by Leysens (2008), aimed at distinguishing it from small “c” critical approaches.



outside. The postpositivist concern with the 'inside' of events aims also to understand the meaning of things in terms of the thought-processes of the actors, and their understanding of the structure of relationships within which they exist. It is the hope of this research that it through paying attention also to the history of the G20 and global governance, and so also change, might come to shed some light on the meaning, or nature, of the changes occurring in global governance, and the role of the G20 in those changes.

To constructivists, it is impossible to account for profound changes in international politics without taking a social dimension into account. Norms, culture and ideas play a significant role; a shift in the way one thinks of global governance may profoundly change the nature of such governance and *vice versa*. The famous words of Alexander Wendt (1992) that "anarchy is what states make of it", imply that neither international history nor international politics are unchanging phenomena. Rather, considerable change becomes possible because people and states can start thinking about each other in new ways and thus create new norms that may be radically different from old ones.

The fact that this study chooses to be guided by a critical approach should not be interpreted as arguing for critical theory to the exclusion of problem-solving theory. Taking the world as it is and focusing on correcting certain dysfunctions, or problems, problem-solving theories serve important purposes. Rather, the explanation for the critical inclination in choice of analytical tools is to be found in the purposes of the study. Because problem-solving theory has to take the basic existing power relationships as given, its tools do not allow for the examination of potentially important dimensions of change. If one wishes to study how the conditions that problem-solving theory takes as the given framework may be changing, critical theory offers a richer and more nuanced approach.

## **1.4** Research Design and Sources of Information

The present study has a qualitative research design and makes use of an inductive and critical approach, meaning that theory is developed as the data collection process evolves. Few standardised procedures were predetermined, and rather than to test a

hypothesis, the aim of the study was to generate hypotheses as the research proceeded. This, together with the choice of relying on critically oriented theory, was to safeguard to the extent possible, that the research was not biased towards the subjective assumptions of the researcher. A non-linear and circular research path ensured that new data was continuously collected that could shed light on the research question. As such, the research allowed both for switches in focus and changes in perceptions.

Given the lack of standardised definitions of central terms and concepts with relation to the G20, the thesis has an important explorative dimension. There are several ways in which explorative research may be conducted (Selltitz *et. al.* 1965; Babbie and Mouton 2001; Neuman 2006). The methods employed in covering the explorative parts of this study include a review of relevant theory and social science as well as an analysis of 'insight stimulating' examples.

While exploration is central to the aim of the thesis, the aim of theorising developments caused by G20 involvement brings an important descriptive dimension to the study. Scientific description of the 'change' related to the G20 is, after all, the overarching aim of the thesis. The spectrum of descriptive studies includes a variety of types of research (Babbie and Mouton 2001:81). The present project relies, in part, on in-depth narrative description of the changes furthered by the G20.

Compared to quantitative studies, strategies for analysis of qualitative data are more diverse, less standardised, and less explicitly outlined by the researcher (Neuman 2006: 447). This should not, however, be interpreted to suggest that qualitative data analysis is a random process. The study has relied on a diverse body of data. In addition to official G20 and G7/8 documentation, the thesis has collected information from presidential, prime ministerial, as well as foreign, finance and other ministry archives. Generally, these archives provide access to first-hand accounts and yield the best and most reliable record of G20 meetings.

As the study of perceptions is an important part of this research, it draws on a growing corpus of writings about various aspects of the G20. Contributions include compilations of texts of documents, government publications, including parliamentary reviews,

memoirs and other writing by prominent summit participants or other relevant people, and scholarly analysis in the form of articles. As previously noted, media-attention to the G20 has grown formidably over the past year and is of particular importance to the present study. Although documents released by the G20 system are the primary source material for studying the institution, the aim of this research is not to study the group *per se*, but the perceptions of it and the change related to it. Operating in a market partly subject to supply and demand, newspaper articles may be seen to express important perceptions of the G20. There are, however, some challenges related to the use of media accounts, which are mentioned in the subsequent section on limitations to the study.

## 1.5 Limitations

On the subject of news media accounts, quality of reportage is a subject worthy of comment. It is clear that there are knowledgeable reporters, particularly with prominent media such as the *Financial Times* and *Le Monde Diplomatique*. Some of them contribute to the academic body of literature as well. The late Susan Strange is an important example in this regard. Not all reporters covering G20 issues are equally well informed, however. As Hajnal (1999: 102) pointed out while studying the G7/8, some are often sent to the summit site by their news organisations simply because they are posted nearby and thus available at a lower cost; the results can be variable. The lack of academic background of others also shows in their reporting, that can at times be less than critical. This, however, does not necessarily provide too much of an obstacle for the purpose of this thesis, as perceptions of the G20 are not reserved for the academic community. Rather, it is interesting to observe how the media of some of the world's main economic players strongly reflects their own countries' interests in their coverage of G20 summitry (BBC 2010).

Another comment on the limitations of the data available may be made on electronic media. For, while the advent of electronic media has helped make information, documents, and resolutions of international organisations more widely available, it has also complicated matters. According to Braveboy-Wagner (2009: xii) the growing reliance on the Internet and other electronic methods of finding information about key international institutions and processes has, paradoxically, “served to limit the

educational materials to which most readers have ready access – namely, books”. This is particularly relevant to the study of the G20, where the purportedly independent web sites provided by the G20 Research Group, the CIGI, the IIS, and the Global Economic Governance Programme of Oxford University offer analysis of the activities of the G20. It is not unthinkable that one inadvertent consequence of these pages has been to frustrate the access to basic, authoritative, critical, and well-researched texts. In the view of Braveboy-Wagner (*ibid.*) the market for such has been reduced by the availability of varying quality electronic materials.

This ties up with another important caveat to this study. Given its critical orientation, one should seek to remain critical not only of the G20 itself, but also to the study of it. Remaining critical to the published studies of the G20 is a challenging task, however, as the bulk of the available literature has been produced in the Western, Anglo-Saxon, hemisphere. A quick search on the mentioned Internet pages reveals that all the studies benefit from funds from within the Anglo-Saxon world. Moreover, both the G20 Research Group and the Centre for International Governance Innovation receive support from Canadian authorities. The epistemological foundation of Coxian theory as ‘critical’ as opposed to ‘problem solving’ aids this study in remaining cautious of this. Yet, it should be noted that also Coxian theory traces its lineage in Western discourse.

Following contemporary publications on the subject as a student of IR and GPE it is difficult not to be struck by the overwhelmingly Western bias in the two fields of study. One illustration of this from the field of GPE, is provided by Daniel Malniak and Michael Tierney (2009) who, in a recent study, singled out the twelve most important journals within GPE/IPE in terms of impact. Studying the list, one finds that while all the twelve journals are situated within the Anglo-Saxon parts of the Western hemisphere, no fewer than nine (75 per cent) of them are based in the USA. As the most read and most cited journals within the field, they have significant power in terms of setting the agenda and creating an understanding of the ‘reality’ of the subjects dealt with. Awareness of this is important as one engages with the readings of these journals, which in a sense act both as creators of and the gatekeepers of the ‘truth’ of the G20<sup>8</sup>.

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<sup>8</sup> Although it embraces a constructivist perspective, this thesis does not believe in the idea of one single truth.

From the above, one can conclude that an important challenge in any study lies in the selection of data. One risks, if one does not remain conscious of the power one wields in selecting data and theory drawing too narrow or, worse, uncritical epistemological and ontological boundaries of the thesis. In short, it is important to remain conscious of what assumptions underlie one's view of international relations and dynamics in the international arena. Such assumptions help determine what the researcher looks for and, in turn, what answers a research project provides.

Finally, all research has an ethical-moral dimension. A useful point of departure in looking at the concerns, dilemmas, and conflicts that arise over the 'proper' way to conduct research is the researcher himself. Research is not devoid of values. Both the choice of research question and the choice of the manner in which and the perspectives from which one approaches that research question is reflective of one's values and background. This has become particularly clear to me as a student of international relations, first in Europe, and then in South Africa. For it is less likely that the theoretical framework of this thesis would have been as coloured by critical strands of thought had the project been undertaken during my studies at the department of political science at the University of Oslo – which is an academic institution much closer to the so-called American school of thought, or what Cox (1995: 30-32) labels problem-solving theory both in thinking of international relations and in thinking of global political economy.

## **1.6** Structure of the Study

This study is divided into five chapters. The chapter following this introductory one presents the G20 and the historical context within which it developed and exists. It also asks what role the group occupies in contemporary global governance.

The third chapter of this study provides a more detailed account of the above-sketched selection of analytical tools that together form the analytical approach and theoretical basis of the thesis.

Devoted to the task of deconstructing the change related to the G20, the fourth chapter

provides the discussion of the study. By using the analytical tools presented in chapter three, this penultimate chapter critically examines the changes related to the G20 the G20 in three dimensions of global governance; material, institutional and ideational.

The fifth and final chapter of the study concludes the research with a summary of the main findings of the present study and identifies some possible areas for future research. Drawing from the analytical toolbox of this study the chapter also reflects on whether the changes related to the creation of the G20 are of a world order-altering nature, or whether they take place within the existing system.

# 2 The G20 in Global Governance

## 2.1 Introduction

The increase in international organisation since the second half of the twentieth century is one of the most striking features of international relations today and raises the question of what role international institutions play in contemporary global governance. While the nature of the changes represented by the G20 are further examined in the fourth and fifth chapter of this study, the aim of the present chapter is to provide some understanding of the group itself and some of the main features of the context within which it exists. This is achieved through two main sections. The first of the two sketches the context within which the G20 finds itself. Here, the concept of 'global governance' is defined and discussed. The second one turns to the question of what the G20 is, accounting for the history and nature of the group. The 2008 global economic crisis – which represents something of a crisis for the order global governance creates, is also presented.

## 2.2 Context: Understanding Global Governance

### 2.2.1 Defining and Studying Global Governance

Although frequently referred to in both mainstream and academic literature, 'global governance' is a relatively poorly understood concept. With some significant exceptions in the immediate post-Cold War era<sup>9</sup>, the disciplines of International Relations (IR) theory and Global Political Economy (GPE) have largely avoided engaging with the phenomenon. Often, global governance is variously treated as a fad or dismissed entirely.

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<sup>9</sup> See for instance Rosenau (1997); Murphy (1994); Cox (1997); Gill (1997); Sewell (2000); Schechter (1999a), Schechter (1999b), Sakamoto (1994); Hewson and Sinclair (1999).

One might question the rationale for studying the very limited world government that has emerged. The world government there is might, after all, be seen as amorphous – and, by some, even as morally suspect (Wilkinson and Hughes 2002: 1). Robert Cox (1996) sees at its centre a cloud of ideological influence that has fostered the realignment of elite thinking to the needs of the world market. As a consequence, much scholarship on global governance focuses on the more concrete international regimes, the norms, rules and decision-making procedures that states have created to govern international life within specific realms. Yet, the case for conducting a more thorough and holistic interrogation of contemporary global governance might possibly be found precisely in its lack of a clearly defined shape or form.

In 1995 the Commission on Global Governance – an independent group, comprising prominent international figures such as then president of Costa Rica, the president of the World Bank, and the first executive director of the United Nations Environmental Programme – formed to consider what reforms in modes of international cooperation were called for by global changes. In their report, they defined governance as “the sum of the many ways individuals and institutions, public and private, manage their common affairs”. Furthermore, the Commission saw governance as “... a continuing process through which conflicting or diverse interests may be accommodated and cooperative action may be taken. [This process] includes formal ... as well as informal arrangements that people and institutions have agreed to or perceive to be in their interest” (Commission for Global Governance 1995:2).

It is premature to speak of the existence of a complete and fully coherent system of global governance. Rather, global governance may perhaps be better understood as a process, still emerging. According to Ougaard (2004: 5) global politics directs our attention to the emergence of a fragile global polity, or to how the global order is or is not governed. According to Weiss (Thakur and Weiss 2010) “‘Global governance’ – which can be good, bad, or indifferent – refers to concrete cooperative problem-solving arrangements, many of which increasingly involve not only the United Nations (UN) of states but also ‘other UNs’, namely international secretariats and other nonstate actors”. Such ‘cooperative problem-solving arrangements’ may be formal, taking the shape of laws or formally constituted institutions for a variety of actors (be they state authorities,



intergovernmental organisations (IGOs), non-governmental organisations (NGOs), private sector entities, or other civil society actors and individuals) to manage collective affairs (Zaleski 2006). They may also be informal – such as practices or guidelines – or *ad hoc* entities – such as coalitions (Karns and Mingst 2004:5).

While there is relatively broad-based agreement that there is such a thing as an evolving global governance complex, a world government has yet to materialise. Governance is often associated with governing. However, while the two concepts are clearly related, they are not identical. As James Rosenau puts it:

Both refer to purposive behaviour, to goal-oriented activities, to systems of rule; but government suggests activities that are backed by formal authority, by police powers to insure the implementation of duly constituted policies, whereas governance refers to activities backed by shared goals that may or may not derive from legal and formally prescribed responsibilities and that do not necessarily rely on police powers to overcome defiance and attain compliance. Governance, in other words, is a more encompassing phenomenon than government. It embraces governmental institutions, but it also subsumes informal, nongovernmental mechanisms whereby those persons and organisations within its purview move ahead, satisfy their needs, and fulfil their wants (Rosenau 1992:4).

Hence, one should be cautious of thinking of global governance as global government. In fact, global governance encompasses the regulation of interdependent relations in the absence of an overarching political authority. Hence, rather than a top-down, hierarchical structure of authority, global governance is “a collection of governance-related activities, rules and mechanisms, formal or informal, existing at a variety of levels in the world today” (Karns and Mingst 2004: 4)<sup>10</sup>. Karns and Mingst (*ibid.*) refer to these as the “pieces of global governance”.

This thesis embraces a broad definition of global governance, tentatively understanding it as the sum of activities creating the overarching system that regulates human affairs on a worldwide basis. Such an understanding lies close to what Cox (1996) refers to as the system of ‘world order’. In this world order, the mechanisms and rules of governance are created by the actions and agreements of key actors in the global system. The ‘systemically important’ members of the G20 provide a good example of such actors,

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<sup>10</sup> Such a complex view of global governance is, amongst others, shared by Thakur, Ramesh and Thomas G. Weiss (2006) who see global governance as a “[...] complex of formal and informal institutions, mechanisms, relationships, and processes between and among states, markets, citizens and organizations, both inter- and non-governmental, through which collective interests on the global plane are articulated, rights and obligations are established, and differences are mediated.”

particularly when operating through the G20. For, while the primary actor remains the state, a striking feature of global governance in the past fifty years has been the increasingly important role played by inter-state organisation in facilitating governance.

## 2.3 What is the G20?

The question of the place of the G20 in the system of global governance is integral to the overall ambition of this study. However, in order to engage with the question of what change in global governance the group represents, it is important to have at least some idea of the nature of the group and of where it places itself within that system of governance at the outset of the study. The power wielded by the G20 and its potential as a vehicle for change is tied up with the question of what the G20 is, practically, politically and ideationally. Moreover, the nature of the change the G20 may bring about further depends on the nature of the group itself.

### 2.3.1 Historically: Origins and Evolution – The Road towards G20 Summitry

The ‘Group of Twenty’ traditionally refers to a group of finance ministers and central bank governors from twenty economies – nineteen countries and the European Union. Today, the abbreviation also includes the regular activity of the group at a summit-level. The immediate precursor to G20 summitry was an informal forum for discussion amongst officials from the G7/8 countries and a select group of ‘systemically significant’ developing countries in the wake of the 1997 East Asian financial crisis. The crisis led American President Bill Clinton and his ranking G7/8 allies to recognise the need to find a more effective, inclusive – yet still flexible – forum, at the leaders’ and ministerial level, to respond to the challenges imposed by processes of globalisation. Hence, the G20 was from the very beginning an attempt to deal with shortcomings in the global governance architecture. It has become clear – at least to some – that G7/8 discussions on dealing with the global impact of the 1997 Asian Crisis needed to include countries that were not part of the informal G7/8 network. The G7/8 finance ministers therefore set up a new international forum of finance ministers<sup>11</sup> and central bank governors from the

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<sup>11</sup> or “[...] new mechanism for informal dialogue in the framework of the Bretton Woods institutional system, to broaden the dialogue on key economic and financial policy issues among systemically

twenty economies that were deemed worthy of a place amongst the most systemically important economies in the world<sup>12</sup>. In addition, the Managing Director of the International Monetary Fund (IMF) and the President of the World Bank, as well as the Chairpersons of the International Monetary and Financial Committee and Development Committee of the IMF and World Bank, participate fully in the discussions. Since its inception in 1999, there has been a finance ministerial meeting once a year. Moreover the heads of states of G20 members meet biannually. Today, the G20 summits of heads of state or government are held in addition to the G20 meetings of finance ministers and central bank governors, who continue to meet to prepare the summits and implement their decisions.

Informal meetings amongst so-called systemically important countries have long been an important part of international governance. The agenda of such meetings seems to have been closely tied to issues of stability, and it is likely that their decisions have been important in maintaining peace and stability at a regional level for quite some time<sup>13</sup>. It is debatable when such meetings began to address problems at a global level but, at the least, some sort of world order was provided by the meetings leading to the creation of the 1919-1945 League of Nations, followed by the United Nations and the 1947 Atlantic family of institutions. The Group of 7 and/or 8 (G7/8) summit later replaced the aforementioned bodies, and became the centre of global governance, recurrently creating consensus and inducing compliance amongst its members and other states and international institutions (Kirton 1995: 64-65). Just as is the case for the G20, G7/8 summitry takes its origins from events that had a profound effect on the world economic system.

### ***2.3.1.1 The 2008 Global Economic Crisis and the Widening of Global Governance***

The current nature and role of the G20 is intimately tied up with crisis in the global economy. Indeed, the first convening of the group at a leaders' level was a direct

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significant economies and to promote cooperation to achieve stable and sustainable world growth that benefits all [...]" (G7 1999)

<sup>12</sup> These are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, the United States and the European Union.

<sup>13</sup> One obvious example is to be found in the Concert of Europe, which helped produce peace amongst the great powers, and prosperity more widely from 1818 to 1914.

response to the 2008 global economic crisis. Although referring to it as an economic crisis, this study does not see the turmoil in the global economy, which began in 2007/2008, as an economic crisis alone. Rather, it may be seen to represent a systemic crisis, in which whatever global governance or global order there was came, and remains, under great pressure. The G20 has been key in the efforts to reinvigorate and coordinate international cooperation after the series of events that have taken place in the world over the last few years.

The effects of the 2008 global economic crisis – first coined as a ‘credit crunch’ – began to be felt in the second half of 2007, when banks in several corners of the world announced losses linked to US subprime mortgages. The origins of the downturn however, may arguably be traced back to the last major financial crisis, which saw the birth of the antecedents of the G7/8. The first G7/8 summits addressed the challenges that followed from economic shocks of the early 1970s. Most importantly, those challenges included the collapse of the Bretton Woods monetary system of fixed exchange rates, and the inability of the Bretton Woods institutions to implement the necessary reforms to overcome a series of problems<sup>14</sup>. As such, one might interpret the first steps towards G7/8, and eventually G20, summitry as a recognition that the shifting international context had rendered it impossible for “...the traditional organs of international co-operation [to] reconcile the differences among the leading Western powers or to give them a sense of common purpose ...” (Putnam and Bayne 1987: 25-27). An informal meeting between the finance ministers of France, Germany, the United Kingdom and the United States in March 1973 in the White House library is often considered to be the very first amongst those steps. This so-called ‘Library Group’ was initiated by the United States (US) who, following a devaluation of the US dollar that year, invited the finance ministers of the aforementioned countries to meet informally. The group is best described as a forum and later became the ‘Group of Five finance ministers’ (G5), when joined by Japan (Hajnal 1999: 4).

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<sup>14</sup> The first oil crisis, caused by an embargo of oil supplies enacted by the Organization of the Petroleum Exporting Countries (OPEC) in the wake of the 1973 Yom Kippur War, and the disagreement of Western countries as to how to respond to the crisis and its economic effects is seminal amongst these problems. The 1974 economic recession in countries of the Organisation of Economic Co-operation and Development (OECD), in which inflation and unemployment rates rose sharply; and, the changes created by the first enlargement of the European Community (EC) may also be included in any listing of such problems (Hajnal 1999; 2007b).

Initially the summits, whose participation would eventually grow from five to seven<sup>15</sup> seem to have been thought of as temporary and case-specific arrangements. When the Five, plus Japan, met at Rambouillet, France, in November 1975 all participants presented it as a once-off get-together (Dobson 2007: xvi). Nevertheless, US President Gerald Ford called another such conference in San Juan, Puerto Rico in June 1976. The group continued to grow, and after San Juan the summit became a regular annual event, taking place in a strictly determined rotation among the G7 countries: France, the United States (US), the United Kingdom (UK), Germany, Japan, Italy and Canada (Hajnal 1999: 13). The following year, the 1977 London Summit saw the European Community (EC) become a participant. Although the EC, both then and today, remains a less-than-equal participant, this also meant the end of the summits as an affair strictly between states. As such, it adds to the curiosity of the 'groups' as institutions.

A series of decisions made by the G7 and the US, which remained very much at the head of affairs, in the 1970s and 1980s helped the group end a period that had for many states been marked by stagflation<sup>16</sup>. The long economic upswing that followed the G7's manoeuvres was formidable, and difficult to liken with any other period of growth. However, a major global downturn in the early 1990s, and the start of a deep financial crisis in Japan, that would considerably hamper the growth of the otherwise formidable Japanese economy<sup>17</sup>, throughout the 1990s tells the story of an economic progress that was not uninterrupted. The instabilities culminated in the 1997 Asian crisis that had contagious effects not only within Asia, but also on economies in other parts of the world<sup>18</sup>. Yet, although the Asian crisis heavily affected the economies of the Western world as well it seems to soon have been regarded as more of an episode than a crisis. While the fall in prices of imported goods, and the prospects for overtaking companies at bargain prices, might have created the conditions for the perception amongst some in the West of the Asian crisis as a passing phenomenon, the single most important factor

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<sup>15</sup> And then eight, once the very complex process of including Russia succeeded.

<sup>16</sup> The combination of high inflation, high unemployment and slow economic growth.

<sup>17</sup> While much attention is today given to China, Japan was a veritable marvel of economic growth during the 1960s and 1970s (Claes, 2006:124).

<sup>18</sup> The last ripples of the crisis left Brazil with little other choice than to devalue by 35 per cent in January 1999, which in turn strained the Argentine economy, forcing the country into a deep economic, social and political crisis in the beginning of the twenty-first century (Claes 2006:122-125).

in that regard seems to have been the thrill of a 'new economy'. A new way of thinking about economics spread, and information and communication technologies were meant to create a permanent increase in production that could make possible rapid growth without inflation<sup>19</sup>. These ideas, which were firmly rooted in neoliberal thought, continued to build on the growth model that had underpinned the economic upswing that began in the 1980s. The goal of that financial growth model<sup>20</sup> had been to expand credit and enlist the financial sector as the most important driver of growth and competition in the economy (Gamble 2009:14)<sup>21</sup>. The dominance of finance and the financial markets that followed and came to mark the end of the twentieth century was seen by observers such as Susan Strange and Andrew Glyn as greater in certain respects than at any previous time in the history of capitalism (Gamble, 2009).

Although fears were expressed that the new financial growth model – referred to as 'casino capitalism' by Strange (1986) – was unstable, little was done to correct the possible instability of the market. It seems that the willingness for reform was inversely proportional to the development of the stock market, and when signs that all was not well in the sub-prime market began to multiply in 2007, it was too late. When the G20 leaders convened in Washington at the end of 2008, the financial crisis that began in the US had reached global proportions. It had also spread into other sectors (Gamble 2009:31). For instance, the effects of the turmoil were severe enough for the International Labour Organization (ILO)<sup>22</sup> to describe it as a *global job crisis*. The question of whether the crisis also represented a crisis for the current world order will be dealt with in the two final chapters of this study. What is clear, however, is that the creation of the G20 in response to it represents yet another step towards a furthering of global governance that has been taking place for quite some time.

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<sup>19</sup> To a certain extent, the technology bubble of the 1990s and the beginning of the twenty-first century may have appeared to confirm the 'new economy' presumption that a wave of new technology would contribute to the creation of new values.

<sup>20</sup> Which based itself on the trinity of tax cuts, privatisation and deregulation (particularly of the financial sector).

<sup>21</sup> Amongst the consequences where the rise of investment banks and rating agencies to commanding positions in the global economy at the beginning of the twenty-first century, and a rapid increase of new financial vehicles and instruments, a readiness by banks to rent money to people based on existing assets and income in order for them to be able to invest in other assets which promised a higher return (Gamble, 2009:15).

<sup>22</sup> Which Robert W. Cox once headed (Leysens 2010: 7)

### 2.3.1.2 *A note on the Widening Agenda of the Gs*

It is not only the membership of the Gs that has grown in number. The changes in membership have not been nearly as drastic as the changes in the focus of the discussions of the Gs. When the Library Group, and later the G5, began to meet regularly, the agenda was first and foremost centred on financial and other economic issues (Dobson, 2007: 4-7). Later generations of summitry widened their scope to include issues related to politics and security, and at the third G7 summit, held in London in May 1977, the word 'economic' was dropped from the title. While the management of various macroeconomic issues remained firmly on the agenda, it was only to be expected that the political and security tensions marking the context within which the G7 existed would impact upon the summit's discussions and shape its agenda<sup>23</sup>. After all, the agendas of such summits are not conceived in a vacuum. One example of this is found in the collapse of the Soviet Union, which did not only affect the membership of the G7, through the inclusion of Russia, but also its agenda (Dobson 2007: 9-10). The nature of G7/8 summitry also underwent considerable alteration as a result of its increasing preoccupation with processes of globalisation. New forms of international interaction came to occupy, and still occupy, an important role in such summitry. For example, the role of 'civil society' and NGOs has increased in importance since they were first cited in summit documentation after the 1994 Naples Summit (Dobson, 2007:10). Moreover, Hajnal (1999: 5) suggests that the background of some of the representatives participating at the summits may also, in part, explain this shift in attention. While seminal figures in early summitry Giscard d'Estaing and Helmut Schmidt were both former financial ministers who understood financial and other economic issues well and were eager to discuss such issues with their opposite numbers from other major industrialised countries, the subsequent generations of G7/8 leaders did not share this background, and were therefore more inclined to broaden the scope of their discussions to political and other non-economic topics. With the recent financial turmoil and the 2008 global economic crisis the leaders' concentration on economic issues is on the rise again, in significant collaboration with their finance ministers.

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<sup>23</sup> Most notably amongst such tensions was the stationing of missiles in Europe by both the US and the USSR and a number of connected and unconnected regional disputes, such as the Argentine invasion of the Falkland Islands, the situation in the Middle East and the first Gulf war.



### 2.3.2 The G20 as an International Institution

#### *Practically*

In its present form, the G20 presents a quandary. While the Gs are often referred to and studied as international institutions, it is clear that the G20 and its predecessors – G5/6/7/8 – are rather unorthodox international institutions<sup>24</sup>. The G20 is a curiosity amongst global institutions. It does not, neither at a ministerial level, nor at a leaders' level, have the trappings normally associated with an intergovernmental body and is neither an international organisation nor a global institution in the traditional sense.

To place the G20 and its precursors in context it might be useful to recall that the authoritative *Yearbook of International Organizations* defines IGOs as bodies that are “based on a formal instrument of agreement between the governments of nation states; ... includ[e] three or more nation states as parties to the agreement; ...[and have] a permanent secretariat performing ongoing tasks” (Yearbook of International Organizations 1993: 1649). Although members such as France, China and Brazil have supported the acquisition of such features, the group has no permanent address, staff or secretariat (Guebert 2010: 26). The chairmanship, along with an obligation to host an annual meeting and provide a secretariat, rotates annually amongst the members. The group has no formal rules of membership, no formal authority to make rules, and no formal process for decision-making or resolving disputes<sup>25</sup>. These attributes, which are equally descriptive of the G7/8, help to clarify what the G20 does and does not do. The structure of the group means that it is not a formal international organisation to which states have delegated – or even can delegate – power. Rather, the group seems to be better described as a potential forum<sup>26</sup> for agenda-setting, policy coordination and distribution of tasks across existing institutions, and building consensus around norms and knowledge.

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<sup>24</sup> See Bayne (1995: 83-84) for a further discussion of the challenges related to defining the G7/8 and its predecessors as an institution

<sup>25</sup> Organisations have clear organisational centres and a formal, material, structure, which – as Michael Hodges (1999: 69) puts it – “...in practice are often their cafeterias and pension plans”. The lack of an official Internet page is another proof that the G20 is no ordinary institution. Although G7/8 countries, and the host countries in particular, may have such pages, neither the G7/8 nor the G20 as such have websites.

<sup>26</sup> The G20 itself also uses the term to define its character: “The G20 is the premier forum for our international economic development...” (G20 2011b)



While the G20 is not an organisation, it is an institution. After all, it brings together the leadership of twenty economies, and embodies both annual summits and a proliferation of other meetings, ministerial or official, regular or occasional, avowed or unpublicised. As an international institution, the G20 is amongst what Karns and Mingst (2004) have described as 'pieces of global governance', or cooperative problem-solving arrangements and activities that states and other actors have put into place in order to deal with various issues and problems. For the purposes of this thesis, 'international institutions' are understood in a broad sense to comprise various formal and informal entities. In many cases, international public authority is vested in an institution that qualifies as an international organisation with international legal personality. However, studying the G20 and its role in global governance it becomes clear that entities other than international organisations may also exercise public authority. Some treaty regimes or informal institutions, such as the G20, are creatures of states that wield considerable political clout and whose acts raise concerns of legitimacy. Bogdandy *et al.* (2010: 15-16) points out that although such bodies may not have legal personality akin to an international organisation, they may be regarded as institutions in the sense of organisational sociology. Moreover, they argue that even in policy areas where a competent formal organisation does exist, public authority may be exercised through more or less informal bodies associated with that organisation such as networks of domestic administrators. Given the empirical insight that many of the more informal and more difficult to characterise organisations operate largely as the less legalised brethren of formal organisations, such a broad conceptualisation of international institutions is useful for the purposes of this study.

Paraphrasing Hodges (*ibid.*) characterising the G7/8, one might describe the G20 as an international club trying to raise consciousness, create networks and set an agenda, working through other institutions and, in some cases, facilitating the creation of institutions suited to a particular task. As such, the G20 may perhaps best be described as a forum. Labelling the group as a forum does not reduce its importance. On the contrary, the G20's role as a promoter of dialogue amongst the most powerful states on some of the most pressing global issues gives it a significance that few others can boast. However, in order for it to succeed in that regard, the G20 needs legitimacy.

*Politically*

While the G20 is a more representative body than the G7/8, its legitimacy is highly contested. Important representatives of the South, such as the Egyptian Foreign Minister Ahmet Aboul Gheit, have voiced concerns that the G20 runs the risk of becoming a closed club. It is not only the global South which is frustrated by lack of representation in the G20. Shorr claims that the G20 is the first organisation created with the backing of the United States that divides the world into countries that matter and those that do not (Shorr and Wright 2010: 182). While one might disagree with such a claim<sup>27</sup>, the seemingly arbitrary membership of the group does provide a basis for criticism. It is not simply the world's twenty largest economies that have been given a place around the table. Rather, the selection of G20 members seems to have an intrinsically political dimension to it. It is no coincidence, for example, that post-crisis growth marvel Taiwan (BBC 2011b) has not been found worthy of a seat in a group in which China is a prominent figure.

The G20 has, at a ministerial level, long remained considerably more closed to non-members than the G7/8 was (Kirton, 2005). Moreover, while the inclusiveness of the G20 at a leaders' level has undoubtedly been better than the G7/8's before it, less powerful, low-income countries remain under-represented. G20 membership still needs rethinking in order to become more legitimate in the eyes of the non-represented. This is particularly true if the G20 is to move towards a further widening of its agenda beyond purely financial matters. In meeting the critique of G20 membership President Obama has pointed out that putting together a group of global governance, while at the same time pleasing everyone, is challenging: "Everybody wants the smallest possible group that includes them. So, if they're the 21<sup>st</sup> largest nation in the world, they want the G21, and think it's highly unfair if they have been cut out" (Cherneckoff, 2009). The fact is, however, that while number twenty-one might have been left out, the twenty-third, thirtieth, and thirty-second largest economies in the world have not. Meanwhile, sizeable economies such as that of Spain (twelfth), Netherlands (sixteenth), Switzerland (nineteenth) and Poland (twentieth) are not formal members other than through the

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<sup>27</sup> First on the basis of an objection to the G20 being referred to as an organisation and secondly to the idea that previous Gs initiated by the US, such as the G7 and 8, do not share similar qualities in defining which states matter and which do not.

European Union<sup>28</sup>. The challenges related to lack of objective criteria for membership in the G20 do not become any less if one ventures outside GDP to the area of security. This is likely to raise problems as the agenda of the group expands.

The observation that there is politics in the determination of the membership of a group of global governance is hardly a groundbreaking one. Yet, scholars in the field of G20-studies seldom point to it. Rather, the membership of the G20 seems to be described as 'arbitrary'. Moreover, the observation is given some space because the discontent with the membership of the G20 appears to be greater amongst those left out than was the case with the G7/8. In widening the circle of those given a key place in global governance the marginalisation of those left out has increased. Representing the left-out northern countries of Europe, Norwegian foreign minister, Jonas Gahr Støre, has described the G20 as "... the biggest setback in decades", referring to the fact that none of the economies from the northern hemisphere have been found worthy of a spot (Der Spiegel, 2010). While Støre's contention that the group represents the biggest setback in decades is debatable, it is interesting that the G20 does in fact mirror a reality nearly one and a half decades old: a carbon copy of the G20 format adopted in the wake of the Asia crisis, the G20 members have not earned their individual membership due to their current position in the global system. Rather, the composition of the G20 brings together the countries which held the key to the solution of the governance challenges of the mid-1990s.

Although it does not fully explain it, this time-leap may in part account for the considerable regional imbalance in the G20. Europe, in addition to the big four established members of the G7/8 – the UK, France, Germany and Italy – have seen the European Commission president gain entry to the G20. Africa – which is the continent containing a bigger number of states than any other continent – on the other hand, is represented only by South Africa. The regional imbalances are only reinforced by the fact that all three North American Free Trade Agreement countries as well as two central Southern Common Market countries are included in the G20, while no Caribbean country has yet been found worthy of a place at the 'high table'. It could be added, however, that one might question whether the G20 really is a group of twenty. Thus far,

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<sup>28</sup> Measured in GDP. Numbers from the World Bank (2011)

the group has traditionally invited both additional states and organisations to their summits. Moreover, Spain tends to show up regardless of the fact that it is not formally invited to participate in the G20 process (Shorr and Wright 2010: 184).

### 2.3.3 The Evolution of the G20 from Crisis Buster towards a Permanent Forum

The G20, both at a ministerial and at a leaders' level, may be seen as a product of a growing debate on new forms of governance. The series of financial crises at the end of the twentieth century led some to question the stability of the global financial system. In face of the contagious effects of these crises much effort has been devoted to examining various models for a 'new financial architecture' (O'Brien and Williams, 2007: 235). The 2008 global economic crisis has not dampened such efforts.

The founding of the G20 at a ministerial level may be regarded as an attempt of institutional innovation emerging from the many attempts to reform the international mechanisms regulating the financial market. While the G7 finance ministers' group has since 1986 proven to be an effective forum for informal and substantive discussion of important international economic issues, the lack of emerging market representation in the G7/8 limits its ability to deal with some issues related to developments in the international economy and financial system (G20 Research Group, 2000). In today's economy, broad representation in policy discussions is crucial. Moreover, the Asian financial crisis demonstrated that financial markets in developed countries can be seriously affected by financial instability in emerging markets. The 2008 global economic crisis has underlined that fact. In the last years before the G20 finance ministers first convened, *ad hoc* groups known as the G22 and the G33 were created to help address specific issues related to the Asian financial crisis. The useful suggestions for enhancing global economic security that emanated from the G22 and G33 processes demonstrated the need for a regular international consultative forum with a broader membership than the G20 (G20 Research Group, 2000). The creation of the G20 finance ministers' meetings arguably represented a next stage in the evolution of informal consultation amongst industrialised countries. Whereas the G7/8 essentially gathers the most economically developed states and Russia, the G20 includes several of the largest developing states, such as Brazil, China, India and Indonesia. Hence, while the G7/8 has long been accused of being a rich man's club, the G20 has – in the eyes of some – the

potential to bolster legitimacy of financial reforms by having a broader base of countries participate in decision-making.

The mandate of the G20 finance ministers' group has largely been limited to the promotion of discussion, studying and reviewing policy issues among industrialised countries and emerging markets with a view to promoting international financial stability. Both the G20 at a finance minister's level and at a summit level is intimately focused on the maintenance of financial stability. The first G20 summit, in Washington, was officially named the "Summit on Financial Markets and the World Economy" (Kirton and Guebert, 2009: 6). The name accurately indicates both what would occupy most of the summit's agenda and what the main bulk of economists and political scientists suggested the leaders should discuss (see for instance Eichengreen and Baldwin, 2008; Brookings Institution, 2008; Kirton, 2008; Rotman School of Management, 2008). While financial stability still remains at the heart of the summit's preoccupation, there have been some competing conceptions about what the mandate of the summit should be. Some have suggested that the group should widen the scope of their discussions. While G20 summitry was still being discussed, Paul James (2004) suggested that the G20 as a summit process should be considered. That is, as an interconnected series of agenda-based meetings in which heads of member states either come themselves or delegate participation to the most relevant government ministers and advisors, as well as invite relevant stakeholders.

It could be imagined that the life-cycle of the G20 at the finance ministers' level might suggest a possible trajectory for the G20 at a leaders' level, which saw its influence decline after the group's crisis-based agenda became less pressing (Martinez-Diaz and Woods, 2009; Woods, 2010b). The G20, both at a finance ministers' and at a leaders' level, was initiated as part of crisis management at the global governance level. We do not see any sign that the G20 is likely to wither away even as the immediacy of the 2008 economic crisis has subsided. Still, it remains an open question what implications the creation of the G20 is likely to have on global governance. The penultimate chapter of this study examines the global change that the G20 has brought – and is likely to bring – about in global governance. The following chapter presents a selection of analytical tools that might prove useful to that task.

# 3 Analytical Approach

## 3.1 Introduction

Albert Einstein once told Werner Heisenberg, one of the founding fathers of quantum mechanics, that “...theory decides what one can observe” (Heisenberg, 1969: 91-92). This places great importance on the choice of theory and the manner in which such theory is used. It also means that combining theories with each other in new ways opens opportunities for new observations.

The metatheoretical base of this study is found within the critical tradition. Two principles guide the selection of analytical tools in this study. First, they must facilitate the exploration and critical discussion of the narratives and material and institutional changes surrounding the G20. Secondly, they must enrich the study of the elements of those changes once they have been deconstructed. Specifically, the theory of Robert Cox is integral to the critical tradition this study works within to examine some important traits of the changes related to the establishment of the Group of 20. Combining eclecticism and rigour, Cox has opened up new landscapes in the study of global governance through merging theories and applying analytical tools from several fields of study. This research endeavour draws from a selection of the analytical tools Cox uses, and remains firmly grounded within the theoretical framework of Robert Cox. At the same time the study borrows from some of the insights constructivist thought provides. Constructivism is analytically open and problematises both agents and structures, calls into question established understandings of world politics, and explores both change and stasis. As such, it is critical much in the sense Habermas and Cox use the term (Price and Smith 1998: 259). Constructivist and Coxian Critical Theory are fundamentally holistic in their approach to change and are therefore well suited to approach change within the global governance structure. It is hoped that the tools found within constructivism, together with the theory of Cox, will facilitate the aim of examining the changes in global governance related to the G20. In analysing that change, this study

embraces Cox's near organic understanding of systemic change, and his emphasis on the need for deconstruction of such change in order to better understand it as a whole. The global governance structure cannot readily be deconstructed to its individual units and their interactions; structures are more than the sum of their parts and are irreducibly social.

It is important that one approaches change in the international system with a combination of perspectives. Methodologically, critical theorists reject the hegemony of a single scientific method, and advocate a plurality of approaches to the generation of knowledge. Yet, an important caveat of which one needs to be aware when one approaches a problem using several theories at once is that of incommensurability. The theories used in this study cannot readily be compared so as to determine which is the more accurate, nor can it be determined which of the theories provide the best description of a phenomenon. However, the aim of this study is not so much to provide a definite answer to the change happening in global governance as it is to provide some possible ways in which one might label those changes. Precisely because of incommensurability one might, as Feyerabend (1999) does, question whether the process of scientific change can at all be explained in its totality in the light of some rationality. Rather than seeking the 'truth' of what is happening, the aim of this study is to provide a description of several ways in which the changes in global governance following from the G20 may be understood, and to provide a knowledgeable interpretation of those changes, through the use of the set of analytical tools outlined in the following.

The 2008 global economic crisis created a renewed interest in 'change' in the global arena. However, the writings following from this interest reveal shortcomings in the ability of much IR- and GPE-theory to account for change. While it is not the aim of the following chapter to suggest how such 'holes' may be patched, this has implications for the thesis' use of theory. Most importantly the theory guiding the analysis of this thesis may be regarded more as approaches from a toolbox than as an all-encompassing theoretical framework.



Theories may be seen as simplifying devices, allowing us to decide which facts matter and which do not. Baylis and Smith (2006: 3) propose sunglasses with different coloured lenses as an analogy to describe the effect of theories. This is not to say that all theories are equally useful or important. The epistemic and ontological differences between theories may produce very different accounts of the same phenomenon depending on what theory one uses. While it is true that the relative strengths and weaknesses of each theory may vary, depending on the case, the analytical clarity provided by such explanations varies.

The analytical tools of this study are drawn from more critical strands of GPE and IR theory. In order to study a world order phenomenon, such as the 2008 global economic crisis, it is important to be able not only to study the elements within this order, but also the order itself. This thesis builds on the assumption that a critical approach is helpful in achieving the critical distance to the global governance structures required to study them. Consequently, questions such as ‘how did they come about?’ and ‘who do they benefit?’ are important guides in the exploration of what change the G20 embodies and constitutes. Moreover, it is in the spirit of critical theory that this thesis draws on constructivism, in particularly the more critical oriented strands within it, in an attempt to shed some new light on the complex issue of change in global governance. The following few paragraphs briefly, and in a more general manner, touch on a selection of Cox’s thinking that is particularly relevant to this study. Some space is then devoted in the subsequent sections of this chapter to a more specific presentation of the most used analytical tools in this study.

## **3.2 Robert Cox, the Analysis of World Order, and the Study of Change through the**

### **Lense of Historical Materialism**

Loner, fugitive, eccentric, guru, neo-Gramscian, Marxist, Weberian and reductionist. The attempts to apply a label to the historian and political economist Robert W. Cox are many and, more often than not, flawed. His theoretical approach has been interpreted in numerous – and often quite differing – ways. Hence, any approach to his work requires a certain degree of humility. It would appear that the development of Cox’s theory may be understood within a wider framework based on the dominance of existing theories



within IR and GPE, and events taking place in the 'real' world. However, although it may be true that his theory falls within a critical strand of thinking, it seems inaccurate to reduce the development of this theory to a critique of the existing theories. Rather, the aim of Cox's theory seems to be to provide an analytical framework through which we may study and give meaning to events taking place in the 'real' world.

Cox's claim that "[t]heory is always for someone and for some purpose" (1981:128) provides a common starting point for explorations of his theory. Expressing a worldview related to Gramsci's work, the quote suggests that knowledge can be neither objective nor timeless in the sense that much theory within IR and GPE/IPE implicitly assumes. One implication following from this is that there can be no separation between facts and values. Whether consciously or not, theorists inevitably bring their values and the context within which they live to bear on their research. As a consequence, Cox suggests, one needs to look closely at those theories that claim to be value free and ask who or what they are for, and what purpose they serve. With that in mind Cox subjects existing theory, and particularly the dominant strand of thought during the Cold War – neorealism, to a thorough critique. According to him, such theories are for, or serve the interests of, those who prosper under the prevailing order – that is the inhabitants of the developed states, and in particular the ruling elites. Whether consciously or not, such theories reinforce and legitimate the status quo by making the current configuration of international relations appear natural and immutable. When neorealists claim to be describing the world as it is, as it has been and as it always will be, what they are in fact doing is to reinforce the ruling hegemony in the current world order (Hobden and Jones 2005:237). Rather than preoccupying himself with a problem-solving maintenance of social and power relationships – endorsing a static understanding of politics, an abstract ahistorical conception of the state and an appeal to universal validity – Cox takes a more critical approach to the existing order and power relationships in the world, drawing the shape of the prevailing world order into question by seeking out and analysing its origins, the historical context within which it exists and whether it might be in a process of change (Cox 1981:88-94).

In his monumental work *Production, Power, and World Order: Social Forces in the Making of History* (1987) Cox approaches the understanding of current historical change from

the standpoint of a reciprocal relationship between power and production. As such, his thought bears some similarity to Marxist thought, which looks for the causes of societal development and change in the collective ways humans use to make the means for living, through an economic interpretation of history. The social features of a society derive from economic activity. With changes in the economic base of a society comes the transformation of the superstructure, or political and legal institutions, of that society; this superstructure has a dialectic relationship with the base. This attention given to the relationship between the economic and the institutional realm of a society is important to the analysis of this study, as it provides a useful tool for studying the changes related to the G20 and the consequences those changes might have. Cox claims that “production creates the material basis for all forms of social existence, and the ways in which human efforts are combined in production processes affect all other aspects of social life” (Cox 1987). The concept of ‘production’ refers to a process rather than to a set of existing things, i.e. products, includes the production of institutions, law, morality and ideas (Cox 1987), and generates the capacity to exercise power. By referring to a process, rather than a product, Cox adopts a dynamic and organic understanding of the world, where dimensions are interconnected. For instance, power also determines the manner in which production takes place (Cox 1987:1). In other words, while the ability to produce things generates resources and objects that may be used to influence events, the production of things also takes place under a shadow of coercion. A good example might be found in the industrial revolution that boosted British productivity and allowed it to exercise an international role in the nineteenth century. The organisation of such production, however, was accomplished by use of force, whether it was in the case of slavery or by forcing people out of the countryside and into factories in Britain (O’Brien and Williams 2007:31).

Very broadly speaking, Cox (1981) may be argued to outline some basic premises of critical theory that are particularly relevant for the purposes of the present paper. His contention that a salient feature of critical thought is that it conceives of all action as taking place within a framework is to be found amongst these premises. Hence, rather than focus exclusively upon the actors and their interaction within a system, one must also examine the framework and changes in that framework itself. A framework has the form of a historical structure, understood as “a particular combination of thought

patterns, material conditions and human institutions, which has a certain coherence among its elements". More precisely, one might say that a historical structure is an ideal-type of such a fit – Cox emphasises that any 'picture' of a historical structure is principally an analytical device (1981: 135-8). At its most abstract such a framework may be understood as the reflection of a particular configuration of forces. Although this configuration does not determine actions in any direct mechanical way it does impose pressures and constraints on the individuals, groups and states existing within them. To the extent such actors resist a prevailing historical structure, they buttress their actions with an alternative configuration of forces, or a rival structure (Cox 1981:98).

Whereas some accounts of structure, according to Cox<sup>29</sup>, permit little scope for agency, he presents a fundamentally antireductionist account of structure. For him, structure is one moment in a continual process of structural change, orchestrated by human beings. The point of studying structure is twofold, in that one seeks both an answer to where that structure might have come from, and knowledge of how it may be transformed (1981: 135).

Three categories of forces interact within the structure: material capabilities, ideas and institutions. Material capabilities have both productive and destructive potentials, existing in their dynamic form as technological and organisational capabilities, and in their accumulated forms as natural resources which technology can transform, stocks of equipment and the wealth that can command these. Ideas, on the other hand, may broadly be distinguished into two kinds. Where the one is concerned with historically conditioned, broadly commonly held, intersubjective meanings – which may be described as shared notions of the nature of social relations – the other kind of ideas relevant to historical structure are collective images of social order held by different groups of people, and may provide differing views of the nature and the legitimacy of prevailing power relations, and of what is good and natural. As the differentiation between the two types of ideas suggests, the former set of ideas – *the intersubjective understandings* – are ideas broadly shared by the subjects within a particular historical structure and constitute common ground of social discourse, while the latter kind of

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<sup>29</sup> Cox refers explicitly to neo-realists such as Kenneth Waltz as well as Marxists such as Louis Althusser and Immanuel Wallerstein (Berry 2007)

ideas – *the collective understandings* – may be several and opposed. Noteworthy in this regard is that opposing collective images of social order disclose the potential for alternative paths of development and “raises questions as to the possible material and institutional basis for the emergence of an alternative structure” (Cox 1981:99). Moreover, Cox argues that a disjuncture between those two forms of ideational phenomena is an important source of structural change (*ibid.*: 138). Finally, institutions may be regarded as a way to stabilise and perpetuate a particular world order. Reflecting a certain configuration of the prevailing power relations, institutions are particular constellations of ideas and material power which in turn influence the development of ideas and material power capabilities (Cox 1981:99).

In short, the method of historical structures emphasises the need to operate with limited totalities. A historical structure does not represent the world as a whole, but rather as “a particular sphere of human activity in its historically located totality” (Cox 1981:100). Although the notion of a historical structure – as previously defined in this essay – represents a sophistication of mainstream approaches to reality, they do provide simplified representations of complex realities. Furthermore, they may be seen as expressions of tendencies limited in their applicability in time and space, rather than fully realised developments (Cox 1981:100). Cox applies the method of historical structures to three spheres of activity:

“(1) organisation of production, more particularly with regard to the social forces engendered by the production process; (2) forms of state as derived from a study of state/society complexes; and (3) world orders, that is, the particular configurations of forces which successively define the problematic of war or peace for the ensemble of states. Each of these levels can be studied as a succession of dominant and emergent rival structures.” (Cox 1981:100)

Considered separately, each of these spheres of activity may be represented as particular configurations of the three categories of forces previously presented. They do also, however, exist in a reciprocal relationship to each other “containing as well as bearing the impact of, the others” (Cox 1981:101).

Cox’s theoretical work is often referred to as having a normative and emancipatory purpose. However, more than challenging the existing world order, Cox’s approach may be understood as raising awareness of the nature of the constructs we study. Rejecting

monocausal, unidirectional and perhaps most important one-dimensional explanations, Cox's emphasis seems to lie in emphasising the need for a holistic and complex approach. Actions and events take place within frameworks whose configuration and reconfiguration must be studied. Cox's approach is therefore multidimensional and multifaceted. His critique of so-called 'explanatory' studies is not based primarily on the observation that they lack a normative dimension, but in that they lack awareness of the context they study, as well as the context within which they themselves exist. A critical approach is not necessarily normative. Labels such as 'normative' easily acquire a patronising ring when they are applied within the scholarly community. Rather, with his critical approach, Cox calls attention to the nature of the relationship between concepts, such as production and power, and to questions such as 'who benefits?', 'who governs?', and 'for whom?'.

### **3.3 The Significance of Institutions: A Marxist View**

Amongst the more prominent strands of thought inspiring Coxian Critical Theory we find variants of Marxist theory. Uniting these is a set of core ideas, including a grounding in historical analysis, the primacy of economic forces in explaining political and social phenomena, the central role of the production process, the particular character of capitalism as a global mode of production, and the importance of social or economic class in defining actors (Karns and Mingst 2004: 52-53). Cox has long conceived of the concept of class as the most important source of political identity (Cox 2002). Drawing on the Marxist idea of inevitable class struggle, eventually creating a new social order, Cox (1986: 220) notes that "[c]hanges in the organization of production generate new social forces which, in turn, bring about changes in the structure of states and ... alters the problematic of world order".

Recent theoretical embodiments of Marxist theory extrapolate the systemic focus of Marxist thought to the study of international relations. Marxist views on the structure of the global system and, hence, on global governance, are rooted in ideas about the relationships of class, the capitalist mode of production and power, as outlined above. As such, the hierarchical structure of the international community may be regarded as a by-product of the spread of global capitalism, which privileges some states, organisations,

groups, and individuals, and imposes significant constraints on others. Developed countries have expanded economically and politically, enabling them to sell goods and export surplus wealth that they could not absorb at home. Meanwhile, developing countries have become increasingly constrained and dependent on the actions of developed countries (Karns and Mingst 2004: 5). This has important bearings on neo-Marxist understandings of hegemony. Important to neo-Marxist theorising about contemporary global governance and on the nature of international institutions is its emphasis on the role of 'globalising elites' in restructuring the global political economy. Such elites are amongst others found in the key financial institutions (IMF, WTO and the World Bank), as well as in the finance ministries of G7 countries, making global governance "...a predictable institutional response not to the interest of a fully formed class, but to the overall logic of industrial capitalism" (Murphy 2000: 799). International organisations and institutions are products of a dominant group of states, dominant ideas, and the interests of the capitalist class. Some go so far as to view them as instruments of capitalist domination, imposed on others. Integral to the theoretical framework of this thesis is the thought of Antonio Gramsci and Robert Cox. The Gramscian view sees international organisations as a means to get others to consent to domination through shared ideas. According to Cox (1992b) they are concerned with longer-term questions of global structural change and how international organisations can help shape change in a consequentially desirable direction.

### **3.4** Ideas matter: Cox and the Gramscian Notion of Hegemony

Cox's article 'Social Forces, States and World Orders: Beyond International Relations Theory' represents somewhat of a revival of a Gramscian perspective. Although the promise of a Coxian approach is not bound up with the fate of neo-Gramscian GPE, Cox, in much of his later work, showed how Gramsci's thought can be used to analyse the power structures of the global political economy. In particular, Gramsci's conception of hegemony provides us with useful analytical insight.

Whereas hegemony as a term has traditionally been used in IR and GPE to denote the supremacy of one major state power<sup>30</sup> over others, and perhaps the acceptance of that supremacy by the others, a subtler meaning is derived from Gramsci's thinking, which brings culture and ideas alongside material force into the equation. Cox (1981: 104) does not share the classic realist view of hegemony as dependent on material capabilities, but rather as a fit between material capabilities, ideas and institutions. The neo-Gramscian view of hegemony is distinct from that held by realists. To Gramsci, hegemony is a relationship between classes in which a dominant class presents its interests as the interests of all. A class is considered hegemonic if it has succeeded in legitimizing its dominance through concessions and institutions, as well as in the formal political structure of the state (Cohen 2005: 131). When a class has established such dominance, it constitutes a historic bloc – a dominant configuration of material capabilities, ideologies and institutions as a determining frame for individual and collective action (*ibid.*). Hegemony in this Gramscian sense means that the great mass of mankind in a particular area or part of the world regard the existing structure of power and authority as established, natural and legitimate. Hegemony is expanded when other people come to accept those conditions as natural. Hegemony is weakened and eroded when the legitimacy of the power structure is called into question and an alternative order seems possible and desirable.

Inspired by the Gramscian notion of hegemony, Cox (1983: 127) underlines that internal and international hegemony alike are based on both coercion and consent. Hegemony reflects an expression of broadly based consent, manifested in the acceptance of ideas and supported by material conditions. With the faltering of such consent follows the demise of the hegemony it supports, as hegemony can only prevail as long as the consensual aspect is in the forefront (*ibid.*). Secretary of the Nobel Peace Prize Committee, historian Geir Lundestad, embraces a similar view in his seminal article 'Empire by Invitation' (1986), where he proposes that the strength of the American hegemony may not be explained in terms of the capabilities of the US to project ideas and assert its dominance alone. In addition, consent of the ruled is necessary in order to account for US hegemony. In the politically and economically unstable reality in the

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<sup>30</sup> It is discussed whether the ruler, or hegemon, must be a single state. See Krasner (1976) for the main arguments of this discussion.



immediate aftermath of the Second World War, European states in particular found it beneficial to have one state that was strong enough to wield hegemonic power, and which could therefore also facilitate the provision of common goods for all states in the system.

Observing contemporary international relations through neo-Gramscian lenses, one might conclude that the global arena is today marked by a neoliberal transnational historic bloc<sup>31</sup>. When the foundation of such a bloc is shaken, as it may be seen to have been by the 2008 global economic crisis, one possible reaction is the emergence of counter-hegemonic streams of thought. Such alternative normative interpretations of the functioning of economic, social, and political institutions, which challenge the dominant configuration of forces may subsume and replace the historic bloc they are born in, if they are large enough. Gramsci draws on Machiavellian terminology in order to explain how this might happen, as he suggests that it may take place either through a war of position or a war of movement. In a *war of position* counter-hegemonic movements seek to increase the number of people who share its view on the hegemonic order, thereby transforming the framework of culture and social institutions in order to provide the foundation for deep and lasting social change. German student movement leader Rudi Dutschke refers to a war of position as a “...long march through the institutions” – a formulation later ubiquitously attributed to Gramsci (Buttigieg 2005: 50). A *war of movement*, on the other hand, involves physically overwhelming the apparatus of the ruling elite – in other words the counter-hegemonic tendencies have grown large enough to overthrow the current hegemony and establish themselves as a new *historic bloc*.

As mentioned, the critical theory of Cox draws attention to configurations of material capabilities, ideologies and institutions, and how these determine frames for individual and collective action. The origin, nature and development of historical blocs and structures needs to be studied. States and the realm within which they exist are not objects that are known without use of the senses, but phenomena that are subject to

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<sup>31</sup> Stephen Gill argues that the elite Trilateral Commission has had an important role in shaping the hegemonic ideology of neoliberalism and the Washington Consensus (Gill 2003)



interpretation – and as such are given reality by the observer. Cox's 'historical structures' approach is also fundamentally concerned with ideational phenomena. In particular, Cox's assertion that ideas are not determined by material conditions and institutions, but have bi-directional relationships with both is important.

### 3.4.1 The Importance of Studying 'Minds' in the study of Change

Both Cox's and Gramsci's methodologies provide for the mutual influence of ideational and material factors (Cox 1996: 132). For Cox, the thoughts of Marx and eighteenth century philosopher Giambattista Vico are important in this regard (1981: 132-3). While the ideas of the former have, to some extent, already been presented in this chapter, Vico's concept of mind is both central to understanding the ontological foundations of Cox's historical structure approach (Berry 2007: 16) and integral to the analytical framework of this study. 'Mind', for Vico, refers to the thoughts and ideas of human beings and is an assertion that ideas matter (Cox 2002: 86-90). Vico stresses that people's ideas are developed in the process of becoming aware of their material existence. While Vico believed that structures and institutions are a product of human action, he also believed that one needs to understand changes in 'mind' – that is, in people's understandings of and attitude towards their environment – if one wishes to understand structural and institutional change (Berry 2007: 16). A change in material conditions is not alone sufficient to create a response. Hence, in order to fully understand the impact of the creation of the G20 it is important to not only study how the material shift provoking the creation is likely to affect global governance in material terms, but also to imagine how the G20 is likely to affect their assumptive worlds. In so doing, it is important to imagine the mental processes of actors, or – so to speak – to reconstruct their assumptive worlds. The constructivist toolbox offers some important insight in this regard. Although the ideational dimension in Cox's work is both nuanced and well conceptualised, Cox tends to 'under-examine' ideas and favour the material and institutional aspects of his triad of ideas, material capabilities and institutions (Schechter 2002: 3-4). To some extent Cox neglects the dynamics related to the construction of ideas, their implementation and their maintenance (Leysens 2010: 8). This study does not hold any lofty ambition of expanding on Cox's framework. It does, however, hope to show that the tools provided by critical constructivism are useful in the exploration of the ideational dimension of the changes related to the G20.

### **3.5 Ideas matter: Some Useful Perspectives from the Constructivist toolbox**

The Coxian method historicism stresses the importance of ideational change for transformation (Leysens 2010: 6). The contribution of constructivists, such as Finnemore and Sikkink (2001) have been important in directing the attention of GPE towards an understanding which stresses the inseparability of change in the material and ideational worlds. Some of the tools within constructivist thought prove useful for the analysis of this study.

Constructivism's antecedents are located in the 1980s and in a series of critical reactions to the mainstream IR-theories of neo-realism and neo-liberal institutionalism (Barnett 2006: 251). Inspired by, amongst others, sociologists and psychologists, some scholars began to question the preoccupation by realist and liberalist tradition with the material aspects of the international system. Social constructivists do not reject the importance of 'brute facts' to the dynamics of international politics. They do, however, stress the significance of deconstructing 'social facts' in order to fully comprehend international relations (Jackson and Sorensen 2007; Baylis and Smith 2006; O'Brien and Williams 2007). Hence, rather than being a substantial theory, social constructivism emphasises the need for a widening of the materialist ontology of realism and liberalism (Barnett 2006:252). Drawing upon critical and sociological theory, social constructivists (such as Finnemore 1996; Ruggie 1998; Wendt 1992 and 1999; Adler 2000) demonstrate the effect of ideas and normative structures on world politics.

Constructivists argue that because it is a social construct, global governance must be understood as having a profoundly social quality. Norms, culture and ideas play a significant role. Hence, a shift in the way one thinks of global governance may profoundly change the nature of it. While the international system or structure shapes the agents on the international arena, agents may also shape – or produce – the structure. Any interpretation of reality depends on the knowledge of the interpreter. This importance placed on concepts such as 'meaning' and 'understanding' is important for the analytical framework of this study.

Cox also points out that a change in material conditions alone may not be enough to

create a shift in the behaviour of the actors within the system. For instance, he argues, in *The Political Economy of a Plural World*, that an effective, concerted reaction to the environmental crisis will only take place if our understanding of humanity's place in nature and the biosphere is reconstructed (2002:88). Cox's argument is not that environmental decay is not real, or that it does not affect us, as a material condition. Rather, his point is that any reaction to the environmental decay cannot be conceived as an automatic response to changing material conditions. In Vichian terms, the 'mind' must be active.

The inclusion of constructivist thought in the analytical framework of this thesis is in part owed to the useful concepts of diffusion and norms cascade – which are central themes of global change within constructivism. Moreover, constructivism offers important insight into any study of shifting perceptions of reality. As Cox, constructivists find it difficult to account for profound systemic change without taking a social dimension into account. Structural forces have limited influence (Wendt 1995). Prominent constructivist Peter Katzenstein (1996: 21) claims that “[s]tate interests and strategies are shaped by a never ending political process that generates publicly understood standards for action.” States’ ability to cooperate depends in part on whether their identities generate self-interests or collective interests. In fact, as Alexander Wendt notes: “...the state itself is a testimony to the role of collective identity in human affairs.” (Wendt 1994: 384). In studying international organisations, constructivists therefore seek to uncover the social content of organisations, the dominant norms that govern behaviour and shape interest, and to decipher how these actions in turn influence actors.

For, say constructivists, “[s]tates are socialized to accept new norms, values, and perceptions of interest by international organisations” (Finnemore 1996: 5). International organisations, then, may serve as agents of social construction, as norm entrepreneurs, trying to change social understandings (Finnemore and Sikkink 2001). As such, they can be both teachers and creators of norms. Finnemore (1996) has also examined the ways in which international organisations socialise states into accepting political goals and new values. The World Bank and the International Monetary Fund (IMF), for example, have – through a mixture of persuasion and coercion – taught states

that liberalising one's economies is the way to further development. The former of the two organisations, also acted as a proponent for the concept of poverty alleviation on international and national agenda in the late 1960s. The shift in discourse occurred as the World Bank 'sold' poverty alleviation to its members, redefining in the process what states were supposed to do to ameliorate the situation (Karns and Mingst 2004: 51). Thus, to constructivists international organisations are not merely organs through which actors on the international scene may take action, but have in themselves potential to be purposive actors with independent effects of international relations. Activity taking place within international organisations is important to understand the processes of changing understandings and behaviour with respect to a number of problems.

Constructivists share the concern of critical theorists about the need for deconstruction of 'social facts' in order to better understand events and actors in international relations. Some even see constructivism, which is concerned with showing that the reality of world politics is not given, but subjectively interpreted and a product of human action as part of the realm of critical theories (Wendt 1999:71).

The famous words of Alexander Wendt that "anarchy is what states make of it", imply that neither international history nor international politics are unchanging phenomena. Rather, considerable change becomes possible, because people and states can start thinking about each other in new ways and thus create new norms that may be very different from old ones. Both states and the system governing their relations are artefacts, created and experienced by man. Indeed, because reality is a social construct, it exists *per me*, rather than *per se*. The notion of an objective reality is dismissed, both by constructivists and critical theorists. Just as theory exists for someone and some purpose, reality, or 'truth', exists only in relation to someone. As subjective entities, they can be changed and developed in new ways, merely through a change of thought. Critical constructivists<sup>32</sup> argue that truth claims are always intimately linked to power. Because there is no neutral ground where one can decide what is true, 'truth' cannot be separated from power. Because this thesis is produced at a time in which the truth of the

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<sup>32</sup> Amongst the most prominent critical constructivists are David Campbell, Jim George, James Der Derian, R. B. J. Walker, Andrew Linklater and Ann Tickner

G20 is in the making – through the production of information about the group – it is important to remain conscious of the question of what the truth of the G20 and its impact in change in global governance is. A combination of tools from the constructivist toolbox and from the critical theory of Robert Cox is well suited to that task.

# 4 Deconstructing 'Change': the G20 and the Post-Crisis Economic and Institutional Order

## 4.1 Introduction

This study critically examines some of the changes that have occurred in the global governance architecture since the creation of the G20. Drawing on the analytical tools outlined in the previous chapter, this chapter breaks down those changes into three main dimensions: the material, the institutional and the ideational. The hope is that by deconstructing the changes in global governance related to the G20, and then studying them in turn, some light may be shed on the nature of those changes as a whole. As the three dimensions are intertwined, it is not possible to study one dimension without necessarily touching on the other. However, for the purpose of clarity, the discussion of this chapter is organised in three main sections. The first deals with the material aspects of the changes in the global governance structure by looking at developments in global economic power relations. The subsequent section then turns to the question of what changes one might observe in the institutional realm of global governance, before the final part of the chapter examines nature and extent of the possible ideational changes in such governance.

## 4.2 Material Power Shifts in Global Governance

Both accounts of the G20, and accounts of the effects accompanying the 2008 global economic crisis tend to begin in the material world. Material change is the most tangible of changes and often seems – whether consciously or not – to be presumed to come prior to more abstract change. Although he finds it to be a rather overused statement, more than an ontological principle, Cox believes that anything that can be known or experienced must have material reality in some sense (Cox 2002: 31-32). This study

endorses a complex understanding of the relationship between processes of change in different dimensions – such as the material, institutional and ideational – and rejects the notion of unidirectional influence between them. One could also have begun the examination of what changes the G20 represents and brings about in global governance by looking at the ideational dimension. This said, it is clear that the creation of the G20 should not be seen in isolation from considerable shifts in global economic power relations.

A salient feature of contemporary international relations is that some emerging economies have strengthened their position relative to the already established economies. The 2008 global economic crisis has highlighted this shift. Several states in the Global South (China, India, Brazil, Algeria and South Korea, amongst others), despite suffering disproportionate losses in their stock markets, now have larger reserves of foreign exchange than the International Monetary Fund (IMF) (Palat 2009). In its early predictions of economic growth as the world is coming out of recession, the IMF expects emerging markets and developing economies to continue to improve their relative standings. For, while the World Economic Outlook Report of the IMF, published in July 2010, predicted a 4,6 per cent growth for the world's combined Gross Domestic Product (GDP), there were considerable regional differences. For instance, Europe was expected to achieve a mere 1 per cent growth, compared to 3,25 per cent for the US, 2,5 per cent for Japan and an average of 6,75 per cent for emerging and developing markets (Economic Outlook Report 2010). The transformation of the US from being the world's largest creditor at the time of the IMF's creation, to being the world's largest debtor in 2009 is yet another example of trends suggesting that a power shift is occurring in the world economy (Woods 2010a: 53). By the 31<sup>st</sup> July 2011, in the midst of the American debt crisis, the US debt to foreign creditors had reached a formidable USD4500 billion (Christensen 2011), with China holding 1152 billions of the debt and Japan – whose importance for the US economy is occasionally forgotten in all the attention devoted to Sino-American relations – holding USD906 billion of the debt<sup>33</sup>.

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<sup>33</sup> Great Britain and Brazil occupy the next two spots on the list of US debtors, holding USD333 and USD206 billion respectively of the US debt (Christensen 2011)

In a report, published in the *International Economic Bulletin*, November 2009, Dadush and Stancil present projections for the expected GDP growth of G20 nations (excluding the EU) to 2050. The projections are derived from assumptions about labour force growth (drawn from US census data), rates of investment, and speed of technological change. They expand on previous studies, including those done by Goldman Sachs, PricewaterhouseCoopers and the World Bank, by adjusting for initial quality of governance, education, and infrastructure, as well as updating population and investment rate projections.

**Table 4.1**

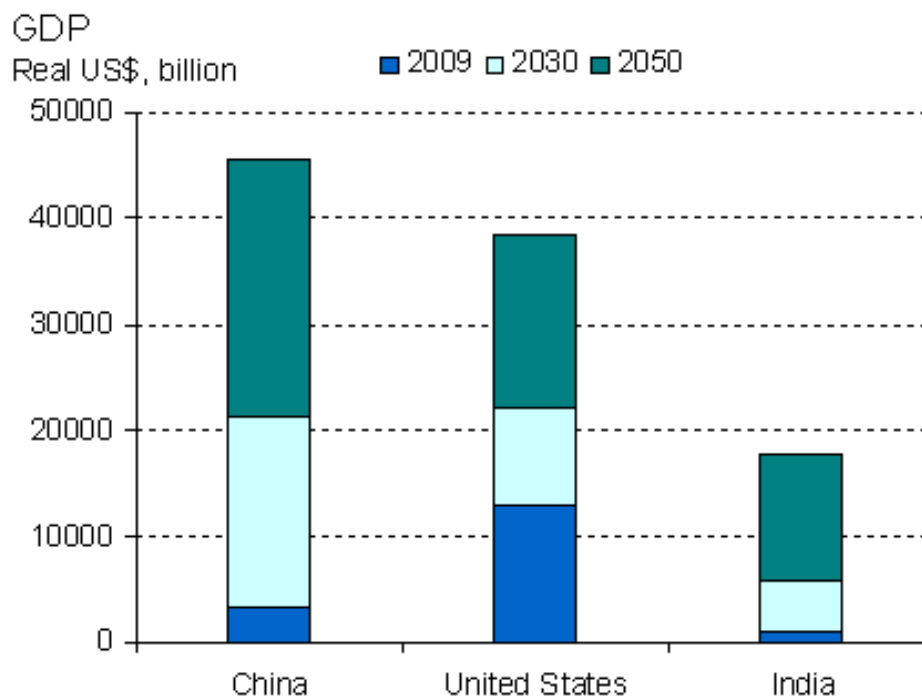
(Average annual GDP growth per cent change (y/y))

	<b>Pre-Crisis Trend (1997-2007)</b>	<b>Crisis Years (2007-2009)</b>	<b>Projections (2009-2050)</b>
Argentina	2.62	2.01	4.09
Australia	3.56	1.54	2.85
Brazil	2.8	2.17	4.16
Canada	3.29	-1.04	2.62
China	9.62	8.76	5.56
France	2.36	-1.03	2.09
Germany	1.56	-2.08	1.44
India	7	6.35	6.19
Indonesia	2.68	5.02	5.01
Italy	1.46	-3.11	1.27
Japan	1.15	-3.07	1.08
Korea	4.3	0.61	2.47
Mexico	3.32	-3.09	4.29
Russia	5.68	-1.19	3.33
Saudi Arabia	3.23	1.75	4.7
South Africa	3.67	0.41	4.28
Turkey	4.05	-2.87	4.33
United Kingdom	2.89	-1.86	2.13
United States	3.01	-1.16	2.7
Source: Dadush and Stancil (2009)			



**Table 4.2**

(GDP projections for the US, China and India compared)



Source: Author's projections

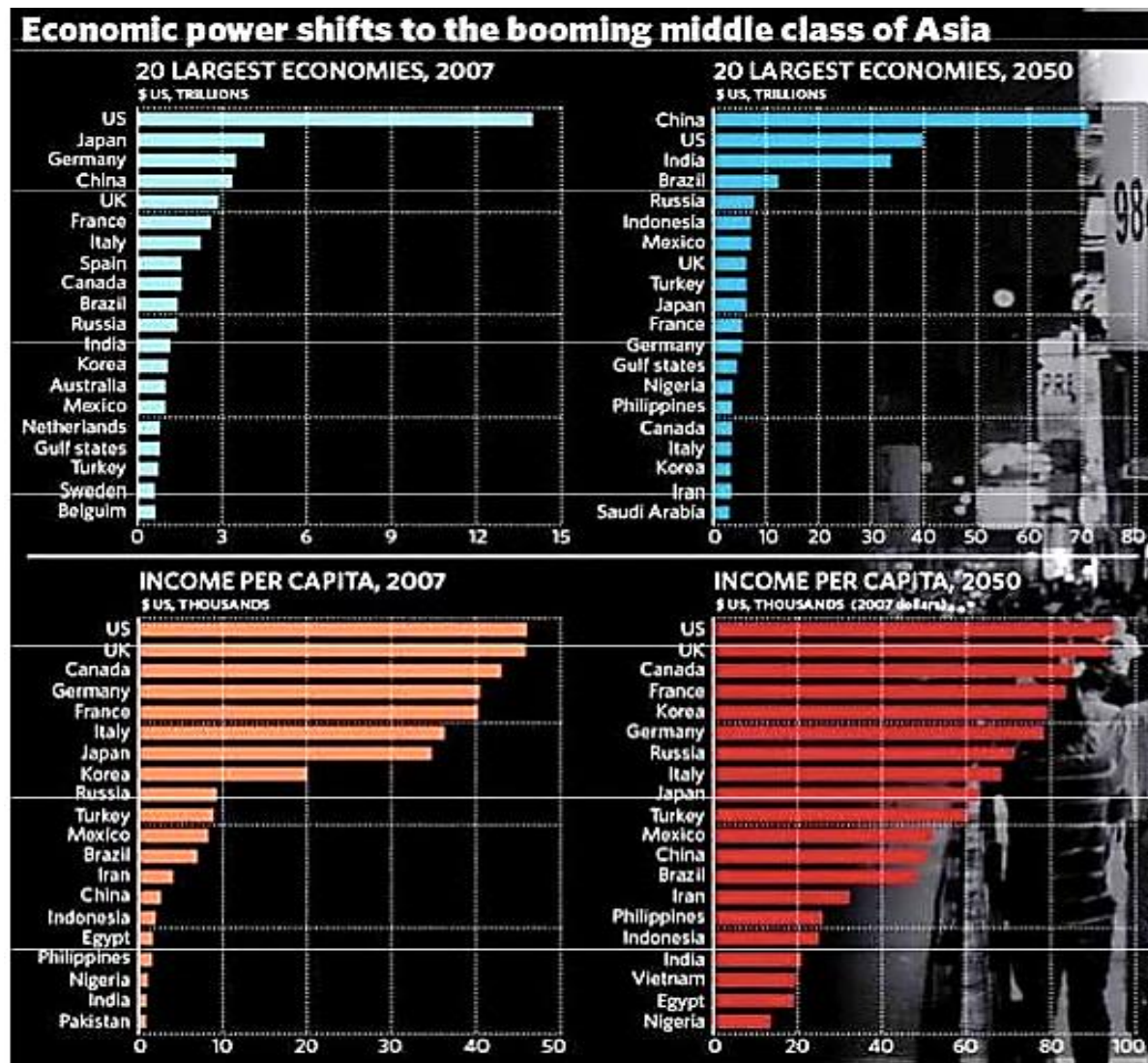
Moreover, Dadush and Stancil (2009) find that the US is likely to be joined by China and India as a leading economy in 2050<sup>34</sup>. As table 4.2 shows, they project that China will replace the US as the world's preeminent economic power in 2032. While the US will remain a global leader, due to the current size of its economy and a projected annual growth of 2.7 percent, it seems clear that the relative strengthening of countries such as China and India is likely to force the US to cede some authority to those rising powers. It should be noted that the picture appears different if one studies the GDP of the economies per capita, rather than in absolute terms, as the wide disparity in per capita GDP will persist<sup>35</sup>. This becomes clear when studying table 4.3, containing results of a Goldman Sachs study quoted by Tiberghien (2010).

<sup>34</sup> According to the projections of Dadush and Stancil (2009) the total GDP of the three economies, in real US dollar terms, is projected to be over 70 percent more than that of the other G20 countries combined.

<sup>35</sup> Dadush and Stancil (2009) suggest that the extraordinary per-capita wealth of the US might actually work against its bid to lead, as the much lower per capita incomes in India and China will be perceived as more representative of the world population, potentially reinforcing their authority.

**Table 4.3**

(Absolute GDP of the 20 largest economies of the world versus their GDP per capita)



Source: Tiberghien (2010)

**4.2.1 Caveats Bound to Long-term Projections of this Kind**

Naturally, such long-term projections are based on assertions that macroeconomic policies remain sound, that catastrophes do not occur and that markets stay open. Hence, they provide only an educated assessment of broad developments in the international economy, arguably overly based on ideas of linear development. While presenting the world in such aggregated numbers may be fascinating, it does not always draw an accurate picture of local realities. If one disaggregates the numbers of the study and studies single economies, the picture may not appear as clear-cut as the projections may indicate. For example, the numbers presented in the above table project that Mexico will

grow by 4.29% from 2009 until 2050. Meanwhile, Mexico has not grown at that rate for a long time (Naím 2010). Therefore, while they may indeed be criticised for being linear, in some cases such models assume some important discontinuities in order for their projections to be realised. One underlying assumption in order for this to happen seems to be that new technologies will be developed, which will allow countries that have not shown great propensity for growth to acquire sustained levels of growth. In short, when one dissects the particular countries in the study, their growth histories do not always match those upon which such studies are based.

What would happen, for instance, if China suffered from a growth-impairing accident? Only in the mid-1990s was it believed that it was Japan, and not China, which would represent the main challenger to the American economy (Lundestad 2010: 312). Although China's demography is significantly different to that of Japan, it remains clear that an economic downturn similar to that experienced by Japan as a result of the Asian crisis would be likely to alter the predictions of Chinese growth rates considerably. Not to mention the potential threat that social or political unrest in China represents. Moreover, even if China should surpass the US in absolute terms within the next decade or two it would still be considerably behind the US in relative terms, with a GDP per capita of only one quarter of that of the US (*ibid.*).

This said, there is value in placing oneself in a frame of mind where one allows oneself to reflect on future developments in the way such projections allow. Moreover, regardless of pace and magnitude, the projections here presented reinforce the impression left by the IMF predictions that an economic power shift is occurring.

#### 4.2.2 Implications

The strengthening of emerging countries relative to developed economies is not a new trend. A 2003 Goldman Sachs study showed that for the first time in the modern era, economic growth is bringing non-Western developing countries into the top ranks of the world system (Ikenberry 2008). However, neither those numbers, nor the projections made by the IMF referred to above should be interpreted as suggesting that all developing countries are strengthening their position relative to the developed world. A number of developing economies have been particularly vulnerable to the economic

downturn in the wake of the crisis. For the weakest – amongst whom a disproportionate number are on the African continent – the direct economic implications of the recession range from a substantial decline in aid and foreign investment to the diminishing of security in financial institutions, and an increase of the balance-of-payments deficit, following a decrease in international trade and cargo flows (Committee of African Finance Ministers and Central Bank Governors 2009; Moolakkattu 2009: 11). For the already marginalised groups within such countries, this means even lower standards of living and increasing poverty, following as a consequence of declining employment opportunities and aid.

The Goldman Sachs study further noted that, if the economic trends uncovered by the study continued, the BRICS countries – Brazil, Russia, India, China and South Africa – could have economies that together would be larger than the old G6 advanced countries<sup>36</sup> by 2050. According to those economic projections, China would surpass the Europeans and Japan by 2020 and the United States by 2045. Later studies by Goldman Sachs, which take the 2008 global economic crisis into account, have projected that China will pass the US in terms of GDP, as soon as 2027 (Storeng 2011). Commenting on the latter of the studies during a seminar in Oslo, British historian Niall Ferguson (2011) suggested that this might happen even before 2027. Regardless of the exact timing, those projections make clear (1) that the political economic power relations between those at the world order level have been gradually shifting over a long period and (2) that it is not only Western countries that can prosper within the neoliberal world order. Fast-growing developing countries are already an international economic force to be reckoned with. Developing countries already produce more than half of the global domestic gross product (GDP). They hold most of the world's financial reserves and are placing substantial demands on energy and raw materials (Ikenberry and Wright 2008).

These are noteworthy developments, with potentially far-reaching implications for power and governance in world politics. The middle-tier developing countries are rising up and forcing change in the global system. As the BRICS are being identified as key 'movers and shakers' among emerging powers, the developed economies of the West experience relative decline (Kornegay 2009).

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<sup>36</sup> The United States, Japan, Great Britain, Germany, France and Italy

The collective size and impact of the BRICS countries on trade make them important players, who are increasingly difficult to ignore or leave outside the doors of power. Since the declaration concluding their first summit in Yekaterinburg in June 2009, the BRICS countries have called for the establishment of a multi-polar world order, demanding access to the key governance forums of international relations. Acknowledging the greater political and economic clout of key emerging states, they are increasingly being invited to participate in global forums, to which they have not previously enjoyed the same access. The initiation of summit-level G20 meetings may be seen as an example in this regard.

### **4.3** The G20 and Institutional Change

Exactly when the US will have to cede its place as the biggest economy in the world to China is debatable and predictions of the timing and significance of this event vary. Nevertheless, the point that there is a shift in the relative material capabilities of important states in the world system cannot be escaped; a material shift in global governance is happening. One of several interesting questions to arise in the face of these developments is what the consequences of this are likely to be for the traditional institutions of global governance.

To some extent, the power shift in international relations examined above has created a global governance problem: representing an increasingly larger share of the world's population and economy, the non-G7/8 members of the G20 encounter a democratic deficit in the Bretton Woods institutions of global governance. How has this problem been tackled at an institutional level?

A material shift alone cannot explain the creation of the G20, nor does it guarantee a revision of our understanding of the global order. It is clear, however, that the creation of the G20 itself marks an important alteration of global governance. In several regards, the G20 represents a novelty in global governance. Its membership is unlike that of previous groups, and its potential power arguably unparalleled amongst the Gs. The G20 is the only international forum in which major developed and developing nations meet

as equals at the highest level of government. As such, the G20 stands in contrast to the two-tiered UN Security Council, the weighted voting of the World Bank and the International Monetary Fund (IMF), and the more restricted Group of Seven and/or Eight (G7/8). However, the impact of the G20 on the body of international institutions is not limited to the formation of the group itself. The G20 has caused both alterations in other institutions and the way in which these institutions relate to each other.

#### 4.3.1 Reviving Multilateralism

One important aspect of the new G20 process is its bolstering of existing multilateral institutions. That places the group in the situation in which it may at the same time be seen to be a result of the inadequacy of the existing bodies of global governance, and as the only institution capable of saving those very same bodies.

In the wake of the 2008 global economic crisis, the G20 summits have been crucial in reinvigorating global cooperation. The organisation of choice of the G7/8, the IMF, has been at the heart of its response. The investment of nearly USD1 trillion (Woods 2010a: 51) of resources in the IMF agreed upon through G20 summitry seems in some regards to have promoted a belief in global cooperation that was quite limited before the crisis. Ngaire Woods (*ibid.*) describes G20 summitry as a “transfusion of blood” into multilateralism, providing first aid to a set of international economic institutions that had begun to wane in importance prior to the crisis. The World Bank and the IMF are two examples of such institutions.

The decrease in relative economic power of the G7/8 countries described above seems to have reduced the authority of the G7/8. This resulted in less weight being given to its policymaking, and also that of the key governance institutions it supported – and still supports. Lack of legitimacy also became a major challenge for both the World Bank and the IMF. In the World Bank this became particularly apparent as the appointment of Paul Wolfowitz, described by some as politically partisan, led the World Bank into a crisis of credibility. This crisis of legitimacy was felt economically as well. The IMF suffered financially, as non-G7/8 fee-paying countries increasingly turned elsewhere, while new ways to finance the institution were not developed (Woods, 2010a: 52).



Also, it should be noted that the reality within which the G20 exists is a demanding one for global cooperation. In an interview with the government-owned Norwegian Broadcasting Company, Norwegian foreign minister Jonas Gahr Støre pointed out that the power relations in global governance have changed considerably since he was appointed foreign minister in 2005 (NRK 2011). Whilst G7/8 and G20 meetings at the beginning of his career as foreign minister were largely dominated by one state – the US – recent G20 activity is marked by a reality in which the voices of several actors – China, Brazil and India in particular – bear considerable weight. Conflicting outlooks on the world might make it more difficult to reach agreement. This becomes particularly clear when observing the standstill in the ongoing DOHA-round and the difficulties of reaching a consensus on how to tackle the challenges of climate change. On the other hand one might imagine that a wider set of perspectives on how to tackle global issues might also break those very same deadlocks. In an address to the World Economic Forum in Davos, in January 2011, WTO Director-General Pascal Lamy stated that he was more optimistic about the next meetings of the DOHA-round after the G20 summitry began (BBC 2011a). Although more people involved means a broader agenda and less room for agreement than with the G7/8, the members of the G20 share an overriding interest in the stability of the international system, and G20 leaders have, on several occasions, proved willing to work in concert to stabilise the global economy.

Some oppose this view, seeing G20 cooperation in 2008 and 2009 as a short-lived collective reaction to the panic following the 2008 global economic crisis. The IMF meeting in Washington in the last half of 2010 and the G20 meeting in Seoul ended with warnings of a global currency war and of a return to the national economic barriers of the 1930s. During both summits, the world's leading economies differed greatly on the choice of strategy to exit the economic turmoil (Bremmer and Gordon 2011). These developments have led some scholars to describe current global governance as dominated by a G-Zero (see for instance Bremmer and Roubini 2011; Bremmer and Gordon 2011), describing a reality in which the US – in the wake of the 2008 global economic crisis – is no longer the leader of the global economy, and no other nation has

the political and economic leverage to replace it<sup>37</sup>. In such a reality, the G20 runs the risk of being an arena of conflict, rather than one of compromise. Others have suggested that the two major powers of the world – China and the US – could form a ‘Group of 2’ (G2), thereby marginalising the G20 process. Thus far, however, China has refused to play the G2 game (Tiberghien 2010: 7). Amongst other, the Chinese hesitation might be seen as an indication that the country still sees the US as too strong a partner for an informal forum of two. Regardless of the reason however, this leaves both countries in a situation where they involve themselves in the coalition of the G20.

#### 4.3.2 World Bank and IMF Reform

When the financial crisis hit in full force at the end of 2008, the G20 was in clear ascendancy over other institutions, including the IMF (Cooper and Bradford 2010). Indeed, the case can be made that of all the international organisations, the IMF was amongst those with the most severe legitimacy “deficit” over the past decade. From the very first G20 summit an action plan, delegating specific tasks to international institutions such as the IMF and the World Bank, was developed<sup>38</sup>. Now given a place at the top table, China, India and Brazil have promised substantial contributions to the IMF. After the London Summit the UK government announced that China would contribute some USD 40 billion to the IMF (Xuequan 2009), and not long after it became clear that Brazil and India planned ‘contributions’ as well (Sanford and Weiss 2009: 13).

The G20 translated summitry initiative for reform into actual reform. The shifts in voting rights within both the IMF and the World Bank, agreed upon during the 2009 Pittsburgh Summit, may be seen as two reactions to those pressures. The two bodies have undergone reform so as to better accommodate the needs of the developing world too. The need for new ways to generate income, the need for increased legitimacy, and the need to adapt to the above-sketched power-shift seem to be three forces driving the World Bank and the IMF towards reform. When Dominique Strauss-Kahn took over as managing director of the IMF in 2007, he announced that reform of the institution’s governance, mandate and financial structure was needed in order to enhance – or even

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<sup>37</sup> While the discussion of the material change in this study has shown that the US will continue to be the strongest, and perhaps only truly global, power, it increasingly lacks the resources and domestic political capital to act as primary provider of global public goods.

<sup>38</sup> See Simian, Nicholas (2009) in the bibliography of this study to find the document in its entirety



restore – its relevance, legitimacy and effectiveness (Woods 2010a: 53). At the same time, the institution's hegemon – the US – called for reform of the IMF so as to reflect the growing weight of dynamic emerging markets in the global economy (*ibid.*).

The G20 economies left Pittsburgh with an agreement to give developing countries greater voting rights in the two major financial institutions, the IMF and the World Bank. With regards to the IMF, G20 leaders committed to shift at least 5 per cent of the institution's internal voting rights to the developing world, and tasked it with a greater role in monitoring economic policy. Similar alterations were made with regards to the World Bank, where the voting rights of under-represented countries were increased by at least 3 per cent (Woods 2010a: 52). Taken together, the governance reforms prior to the crisis effected an overall shift of 5.4 per cent of voting power in the IMF towards important emerging economies such as China, India, Brazil and Mexico. Some countries were even prepared to forego a part of the quota increase for which they were eligible, including Italy, Japan, Germany and the US (*ibid.*: 53). The emphasis of the financial reform was on reducing the IMF's dependency on income from emerging economy members that borrowed from it. The aim was to create a more independent IMF. During the 2008 global economic crisis, however, the IMF took loans from developed economies in order to acquire sufficient lending power to meet the crisis (*ibid.*).

More importantly, the described changes were paired with an announcement underscoring G20 primacy over the G7/8. The US President Obama confirmed in a statement that the G20 – in the view of the US – fulfils its self-proclaimed role as the premier forum for economic cooperation (AFP 2009). Moreover, the two days in Pittsburgh form part of a set of events which has led some to characterise the G20 as nothing short of a "seismic shift in global economic diplomacy" (The *Economic Times* 2009). Even before the crisis, the IMF initiated both governance reforms and financial reforms to respond to these pressures, hoping that the two sets of reforms would simultaneously make the IMF more representative and less financially dependent on any particular group of countries for income (Woods 2010a: 53). The idea seems to have been that greater representation would bring emerging economies closer to the IMF, while independent finances would give the organisation greater capacity to deliver on its mandate.

#### 4.3.3 Revision, rather than Reform

While the IMF has achieved a small increase in the institution's own resources since the financial crisis, the G20's promise to treble the institution's resources, so as to make some USD 1 trillion available to the IMF, has been mostly in the form of credit lines (Woods 2010a: 55). This means that the IMF has not had its capital increased. Rather, the new money comprises credit lines which member countries have made available to the IMF if it needs them. The question as to who the countries making those lines available to the IMF are is relevant to this study, because such an arrangement is likely to secure an IMF that remains tied to the providers of credit lines. Closer examination shows that substantial parts of such credit are made available by existing powerful shareholders. This means that the IMF remains firmly tied to its traditional pattern of power and influence, within which G7/8 countries have been heading the game. The institution's dependence on loans from its wealthiest members prevents its dramatic reform and only weakly offers incentives for considerable change. One might therefore question how much change the switch from G7/8 to G20 ascendancy over the IMF has created.

The reforms, aimed at reflecting the rise in economic power of emerging economies, have been both moderate and hard won. The fruits of much tough negotiation have not been enough to offset the perception of emerging economies that the IMF is an institution under considerable US influence. The US still has veto power in the IMF and senior management is all appointed only with the approval of Europe and the US. By unwritten, tacit, agreement the managing director of the IMF is a European, and the president of the World Bank is a US citizen. This agreement was reaffirmed by the choice of former French Finance Minister Christine Lagarde to succeed Strauss-Kahn as head of the IMF, instead of installing the first non-European at the head of the fund. Moreover, the institution is located amongst US government agencies in Washington DC and works in English, with a large proportion of its staff being trained in the US (Woods 2010a: 56). Thus, although progress was made at the G20 Pittsburgh Summit, the perception of insignificant reform still lingers. In some ways, the above-sketched reforms seem to be better described as revisionist rather than reformist. At first glance, the discrepancy between the considerable changes of global economic power relations and the moderate changes in the set of global institutions governing those relations is puzzling; how can

the challenges, and changes, to the existing system remain so limited when economic power is shifting to the extent that it is?

The rise of new powers is a classic problem of international relations and is a potential source of conflict and violence. As both the Gramscian notion of hegemony and more classic hegemonic theory teaches us, established powers have organised the international system – an activity in which the creation of rules and institutions is central – so as to make it work smoothly, and, whether consciously or subconsciously, maintain it. Change occurs when powers rise to greatness and decline, and as they struggle over the institutions and rules of order. Robert Gilpin contends that “a precondition for political change lies in a disjuncture between the existing social system and the redistribution of power towards those actors who would benefit most from a change in the system” (Gilpin 1981: 9). As the discussion hitherto in this chapter has aimed at showing, the full impact of the shift in economic power relations has yet to be reflected in the global institutions, thereby leaving a disjuncture between the existing social system and the redistribution of power. As will be further discussed under section 4.4, part of the explanation for this might be found in the ideas, or mindsets, of central actors in global governance. Another part of the account, however, seems to lie in the relative strength of emerging economies in material terms. While those economies have gained a greater voice in terms of the setting of policies, it seems that they remain too weak to challenge the balance of the international system in a dramatic way. This is not due to the degree of material change alone, but might also be explained by limited South-South cooperation.

The development of formalised linkages and alliances (such as the BRICS) reflects a potentially interesting development in global governance, as elites from developing economies seek to enhance their economic and political power relative to the developed world. Yet, as Ian Taylor (2006) has pointed out, it seems premature to see such activities as reflecting a call for a revised international order. Thus far, evidence suggests that the developing world operates in groups, rather than as one block. One point in this regard is that the interests of the economies of the developing world are diverse; not all developing countries necessarily have an interest in acting as a block. It is relatively uninteresting to speak of a shift of voting rights towards developing countries in an

organisation such as the IMF if one does not simultaneously look at whom the main beneficiaries of such shifts are – however minor those shifts may be.

In the case of the governance reforms of the IMF, the largest ‘winners’ seem to be Korea, Singapore, Turkey, China, India, Brazil and Mexico<sup>39</sup>, none of which are amongst the weakest economies in the developing world. The Pittsburgh compromise of a further shift of 5 per cent of voting power towards developing countries was one endorsed by the BRICS, but has also been criticised for its lack of ambition. Hence, in reaching out towards developing economies the IMF seems, thus far, to have met the wants and needs of some better than others. It is not the task of this thesis to speculate about whether more substantial alterations could have been achieved if the BRICS had aligned with the poorest economies, but it is noteworthy that the main proponents for far-reaching institutional change are not countries such as the BRICS, but rather countries such as Venezuela, Iran, Bolivia, and Libya. In fact, studying the implications of the integration of emerging economies into top-level world governance it seems that the rising South are more prone to work within the confines of the existing realm of global institutions, rather than to develop their own institutions or build alliances amongst themselves in pursuit of their economic and political goals.

There are examples of power transitions that have not overturned the old order.. When Japan grew from 5 per cent of the American Gross National Product in the immediate aftermath of the Second World War to over 60 per cent of its size in the wake of the Cold War, it did so without challenging the existing world order (Ikenberry and Wright 2008: 8). Yet, the degree to which the current changes in relative power takes place, without forcing more substantial changes in the existing order, is remarkable. The potential for military conflict is hardly discussed, as E.H. Carr’s ‘problem of peaceful change’ almost appears to be a concern of the past<sup>40</sup> – although it should be mentioned that China’s much vaunted building of an aircraft carrier (Grammaticas 2011) is a visible symbol of the country’s rise as a military power too. This illustrates the point that there are different types of power ascendancies and power transitions. Where rising powers, such

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<sup>39</sup> Although from their perspective the changes were relatively small. China’s share of votes in the organisation was increased by a mere 0.88 per cent, taking its share of the votes to a total of 3.81 per cent of votes. India’s voting power rose to 2.31 per cent, while Brazil and Mexico raised their shares to 1.72 per and 1.47 per cent respectively (Woods 2010a: Table A1 in the Appendix).

<sup>40</sup> Although the content of Carr’s notion of what the concept of “peace” entails could stand some discussion.

as Bismarck's Germany, challenged the system, others, such as Japan, fit into the existing system. Moreover, whereas some power transitions have resulted in a transformed international order others have brought about only limited adjustments in the regional and global system.

One of those less enthusiastic about the prospects of the G20 as a driver of systemic reform is former IMF chief economist Simon Johnson. He has called the G20 strategy for reform "sophisticated delaying action", suggestively describing the G20 as "masters of economic policy spin at work". Johnson outlines how important reforms with political content, such as capital requirements or bank bonuses, are sent out to technical committees because of their complexity. Because this takes years, the suggestions for reform become watered down. He claims that there is little political will for implementation: "There will be some minor changes, and these will be much trumpeted. But what will really change in or around the power structure of global finance - as it plays out in the United States, Western Europe, or anywhere else? Nothing" (Bretton Woods Project 2009).

Although the effects of it are still unclear, it is clear that the distribution of economic power has undergone and is still to undergo significant alterations. While the G20 and some of the discussions within the G20 framework may suggest that such alterations have translated into some institutional change, it may be argued that with the new emerging states – headed by BRICS – little attempt has been made to overturn the old order and completely reorganise the rules and institutions of the system. So what role is the G20 playing in the international governance architecture?

#### 4.3.4 A New Hub of Global Governance

The definition of the G20's primary purpose and role will only evolve as its agenda is clarified. What *is* clear, however, is that with the continuation of G20 summitry, as large parts of the world are coming out of recession, the group seems to be moving from the role of crisis-buster to that of steering committee. For, while it may be true that the group has yet to turn global governance upside down in economic and institutional terms, there is little doubt that it occupies a central place in international relations. The

image of the G20 has been that it has functioned as a pivot of concerted global cooperation in extraordinary times (Cooper and Bradford, 2010: 4). Now recognised as the premier forum for global economic cooperation, some have begun to see the G20 as a new form of centralised “concert of great powers” (Åslund 2009). Whatever label one applies, the point remains that the G20 today possesses a high degree of global authority.

While it is true that the long-term role of the G20 in global governance remains unclear, it has been on the centre stage of global governance since its inception at a summit-level. Through the Washington Plan of Action – created at the inaugural meeting of the group – the G20 moved to position itself as the core crisis committee over other institutions by establishing working groups charged with developing collective positions on reform efforts by the IMF, World Bank and other multilateral development banks. The group developed its role further during the London summit in 2009. Cooper and Bradford (2010: 5) describe the role of the G20 as a distinctively catalytic one. In accordance with the Washington Plan of Action, officials from each of the G20 countries were active in working groups<sup>41</sup>, aimed at developing policies for global recovery efforts (Simian 2009). The report that followed – The Global Plan for Recovery and Reform – demonstrated the innovative capacity of the G20 in heading an international crisis response where collective state action was superseded by existing institutional arrangements.

#### 4.3.5 Spoke Institutions

The above-sketched reforms of the IMF and the World Bank are examples of the ascendancy the G20 has enjoyed over core institutions since the Washington summit. Measures such as the reforms advanced at the London and Pittsburgh summits represent more than a modernisation of the governance structures of the World Bank and the IMF; they also strengthen the role of the G20 as a global steering group. More than two years after the G20 entered into the inner-circles of global governance, its role in relationship to key governing bodies and institutions is becoming increasingly clear.

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<sup>41</sup> The Working Groups, established in Washington focused on: enhancing sound regulation and strengthening transparency; reinforcing international cooperation and promoting integrity in financial markets; reforming the IMF; and the World Bank and other multilateral development banks (Cooper and Bradford 2010: 5)

### *The IMF*

At an institutional level, one particularly interesting consequence of the G20 entering the stage at a functional level has been the re-emergence of the IMF as a pivotal and credible institution. Although completion of the reforms of the IMF and the World Bank is needed to make the institutions 'crisis ready' in the event of another downturn, both institutions – the IMF in particular – seem to have been strengthened through this crisis. Moreover, they both seem to accept G20 ascendancy. The IMF has on a number of occasions stated that it is subordinate to the G20, seeing its role as one of acting as an instrument for G20 policies and aiding the G20 in assessing the wider implications of those policies. According to the director of IMF's Strategy, Policy and Review Department, the G20 sees its role "... as a trusted advisor, with the G20 firmly in the driver's seat" (Moghadam 2009). In that sense the IMF and the G20 may be seen to mutually reinforce each other, securing both central places in the global governance architecture. By December 2009, the IMF announced that it was shifting from 'rescue efforts' to ensuring longer-term stability (IMF 2009). The IMF also seems to have more ambitious objectives. Having responded to the crisis through what former IMF Managing Director Dominique Strauss-Kahn saw as an innovative mix of measures, the IMF sees its systemic importance to have been enhanced since the initiation of G20 summitry, positing that "the formal mandate of the fund may not fully capture what is expected by an effective guardian of global macroeconomic stability" (Cooper and Bradford 2010: 6; IMF 2009). It is noteworthy that this new ambition of the IMF makes clear the limits of the institution as a parallel hub to the G20. The IMF itself has pointed out that it holds a "strictly advisory capacity" in its relationship with the G20. It has also avoided any suggestion that the IMF has any technical mechanism or legal right to compel changes in the policies of non-borrowing members (Cooper and Bradford 2010: 6). All it can do is assess whether additional adjustments are necessary to reach the growth objectives outlined by the G20 and the desired financial stability (Barkley 2010).

### *The Financial Stability Board*

Another example of G20's institutional capacity is found in the creation of the Financial Stability Board (FSB), which replaced the Financial Stability Forum. The FSB has been entrusted with key responsibilities in the oversight of international finance and monitoring of national economic policies to promote balanced and sustainable growth.



Central to this has been the task of establishing, in coordination with the IMF, an early-warning system for crises (Paulson 2010: 334-335).

The creation of the FSB proves that the G20 has the capacity not only to reform but also to create institutions. Moreover, the creation of the FSB is interesting in that it reveals something of the institutional character of the G20 itself. For, while the G20 is indeed a powerful club of states, it does not – by itself – wield much power without its spoke institutions. The creation of the FSB may in part be seen as a realisation of this. By itself, the G20 was not institutionalised enough to manage policy implementation across all member countries (Bradford 2009). Through the creation of the FSB the G20 designed an instrument that provides the group with a useful toolkit in that regard. As such, the metaphor of a steering committee introduced in this final chapter seems fitting; while the G20 decides on the priorities or order of business in several aspects of global governance, it does not directly effect the decisions taken. Rather, the approach of the group thus far seems to be to rearrange the realm of global institutions in a manner that will enable it to meet new challenges – an approach not dissimilar to that of the G7/8. The success of that approach remains to be seen. In the case of the FSB, the expectations of the board may be larger than the resources made available to it. Helleiner (2010), as well as Griffith-Jones, Helleiner and Woods (2010), and Cooper and Bradford (2010) have pointed out that despite the responsibilities placed upon it, the FSB operates within a limited budget and with a small complement of personnel.

#### 4.3.6 The G20 and Other Key Bodies of Global Governance

The above discussion suggests that the G20 defends its role on the centre stage of international affairs well. As the G20 is emerging as the nexus of multilateralism it has been able to position the IMF and the FSB in a better way than other international bodies before it (Cooper and Bradford 2010: 7), and has revived a multilateralism that seemed more or less dead prior to the 2008 global economic crisis (Woods 2010). But how does the G20 position itself in relation to other central bodies of power in the contemporary order, such as the UN and the Group of 7/8? How has the creation of the G20 influenced the wider institutional realm?



The G20 does not and cannot operate in isolation from other international bodies. Rather, it acts through and complements the activities of other international institutions and organisations. The inclusion of the president of the World Bank, the managing director of the IMF and the chairpersons of the International Monetary and Financial Committee and the Development Committee are obvious examples of how the G20 process seeks integration in the activities of those institutions. Moreover, the G20 helps to coordinate the activities of other international groups and organisations, such as the Financial Stability Board. It also facilitates the deliberations of more formal bodies such as the aforementioned International Monetary and Financial Committee. Ever since the creation of the G20 at a ministerial level, an important part of the rationale for the continued meeting of the group members has been that the potential for developing common positions on complex issues amongst G20 members might expedite decision-making in other fora (G20 Research Group, 2000). To what extent this has been the case is debatable, but there is general agreement that any matter in which the G20 manages to develop a common standpoint is likely to be tackled efficiently.

#### *The G20's relationship to the United Nations*

The UN initially appeared supportive of the idea of G20 summitry (Cooper and Bradford 2010: 7). Secretary-General of the UN, Ban Ki-Moon offered the UN's headquarters in New York as the summit site (Hell, 2008). In spite of several invitations, this was turned down, however. The G20 did not seem to have an interest in becoming part of the UN system, and the UN – instead of establishing itself as a part of the G20 system – has been marginalised from the G20 process.

The distance between approaches of the G20 and the UN has been clear from the very first summit. In a press conference three days prior to the first summit, Ban Ki-Moon focused attention on the need for an inclusive multilateralism, with an emphasis on the needs of developing countries and pressing issues such as the climate crisis (Ki-Moon, 2008), without obtaining a response from the G20. This partial neglect of the other body's agenda is mutual. Amongst others, the General Assembly of the UN (UNGA) has increasingly become a forum for voicing discontent on the course of global governance (Cooper and Bradford 2010: 7). Rather than to work systematically in order to complement or support the G20, the UNGA has provided a forum for some of those left outside the G20 to voice their concerns. Organisationally, the main alternative focal

point became the UN Conference on the 2008 global economic crisis at the end of June 2009 (*ibid.*). Convened after only two G20 summits, in which the economic response plan was widely perceived to have already been developed, the *de facto* purpose served by the initiative seems to have been to test the unity of the G20 with regards to the recovery efforts agreed upon in London. Ideationally, the principal source of contest came from an initiative by the UNGA president to call together a panel of experts with a mandate to propose reforms to the global financial and monetary system.

The tardiness of the UN conference on the 2008 global economic crisis is telling of the UN's response to the crisis. The initiative for G20 summitry may in part be seen as a reaction to the impotency of the UN facing the GFC. The G20 is a smaller and more flexible body of global governance, which fills a functional and thematic void in global governance left open by the UN. The UN is an organisation primarily concerned with security matters. While other central areas, such as social and economic development, human rights, and sustainable development have been added to the agenda of the UN, the history of the organisation shows that it is no simple task to introduce new topics to its traditional area of concern. (Schaller, quoted in Wroe 2011). While the UN has been fairly effective in some of its main areas of responsibilities, 'club governance' by groups such as the G7/8, the G20, the Asian-Pacific Economic Cooperation and the Association of Southeast Asian Nations have become more common regarding issues such as the 2008 global economic crisis. In that regard, it is perhaps correct that the G20 is complementing the UN, rather than challenging or replacing it. The distinction between what the G20 and the UN does is becoming less clear-cut, however. In particular, the initiation of G20 summitry has contributed to this.

The question as to whether the G20 can manage the shift from crisis-buster to world steering committee is related to that of what that steering committee will deal with; is the G20 broadening its agenda beyond economic issues? Organisationally, a closer look at G20 activity suggests that the agenda of the group broadened beyond the very technical economic issues as the group began its dual existence. One attraction for the leaders is the forum's organisational looseness, which gives them the opportunity to mix policy deliberation with political talks with their counterparts (Cooper and Bradford 2010: 9). Politically, there are also signs that the G20 is increasingly dealing with

security issues. After all, such issues are not unconnected with economic stability. For instance, the unrest in Egypt – which threatened to create a rise in the price of oil and, as a result, destabilise large parts of the global economy – was discussed during a G20 meeting in Paris at the beginning of 2011 (Martinez 2011). Moreover, countries that are represented in the G20, but not in the UN Security Council, such as India, may prefer the G20, arguing that the G20 is more legitimate than the Security Council. Hence, while the G20 and the UN may be seen to be bodies of governance with separate agendas, there is a risk that they might hold conflicting positions if the G20 widens its agenda to matters other than economic. The study of how the UN will, or will not, adapt to the G20, as it gradually acquires the role of a global steering committee, will be tremendously interesting in the years to come.

The lack of a clearly defined agenda for the G20 may cause a situation where some countries prefer it as a forum for global governance over the United Nations. One example that could be imagined is that of India. In the G20, but not in the UN Security Council, it is not unthinkable that India could prefer the G20 as a forum for discussion on important issues over the Security Council. The G20 may indeed be seen not to pose a threat to the UN Security Council, because it lacks the Council's legal basis and year-round sessions (Shorr and Wright, 2010: 188). Nevertheless, as long as substantial reform of the UN Security Council's membership is not made, it is not unlikely that some countries may over time argue that the G20 is more legitimate than the UN Security Council.

The organisation – or lack of organisation – of the G20 constitutes a threat to its ability to act as an effective body of global governance. Whereas the Security Council has received much criticism for its inability to circumvent the hindrances related to its number of members and – not least – the veto power of its permanent members, the G20 has twenty members, all of whom have potential veto power, as the lack of rules for a veto in the G20 may be argued to give all its twenty members *de facto* veto power. While the G20 is not required to reach consensus in order to make decisions, its behaviour has thus far suggested that it is consensus-oriented. The group might therefore possibly constitute a greater barrier to agreement than bodies such as the Security Council and the G7/8, thereby reducing the net cooperation in the global arena rather than reviving

it. As such, the group might – counter to what its bolstering of multilateral institutions such as the IMF suggests – represent a quantitative step backwards for global multilateralism. At the same time, however, the entry of G20 onto the main stage of global governance may represent something of a qualitative leap forward. While the decisions may eventually be fewer, they are more widely based. Perspectives other than the traditional Western dominant ones may become more important, thereby challenging the intersubjective understandings that have long prevailed in global governance.

### *The G20 and the G7/8*

The claim can be made that the G20 may be seen as a continuation of, or an expansion of the G7/8, as much as it can be seen as a replacement of it. After all, the initiative for the creation of a G20 – both at a ministerial and at a leaders' level – came from a leading member of the G7/8, the US. Before the bias in representation in the G20 – which becomes particularly clear with the over-representation of Europe<sup>42</sup> – is dealt with, the G20 runs the risk of being perceived as little more than yet another step in the evolving Gs of global governance put together by the US. Yet, more interesting than concluding that the origin of the G20 is inextricably linked to the G7/8, is the question of whether the manner in which the group functions supports the notion that it represents but a widening of the circle of global governance drawn by the G7/8. Pivotal in the answer to that question is whether the ideational heritage of the G7/8 is to be found as a central guiding element in the work of the G20. Has the inclusion of emerging economies into a leaders' group influenced the ideas and outcomes of the G20?

As will be discussed under section 4.4, the ideas supported by the G20 do, in part, seem to underpin the notion that the G20 and the G7/8 are closely related. This was particularly true during the early years of the G20; while studies of the G20 finance ministers' group at work reveal that in its early years it was a powerful forum for consensus-building in crisis management, forging consensus on a framework for debt restructuring and tackling the need for IMF quota reform, G20 outcomes were not so different to those of the G7/8 (Martinez-Diaz and Woods 2009). Moreover, the formal statements of the G20 echoed those of the finance ministers of the G7/8. This seems to

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<sup>42</sup> In addition to the big four established members of the G8 – the UK, France, Germany and Italy – the European Commission president has also gained entry to the G20

be less true today. For instance, Lee (2010: 1) argues that America's capacity to 'manage' China and encourage it to rise as a 'responsible stakeholder' within a US-led system is failing: "China is too big, too proud, and too independent-minded to be 'tamed'". He finds support in Mann (2010), who suggests that "[t]he idea of a powerful United States bringing China into the existing system is fading". According to the two prominent scholars quoted, therefore, the belief that China will be content to rise as a 'responsible stakeholder' in a US-led regional and global order is simply out of date. Moreover, while the finance ministers' G20 somewhat shadowed the G7/8 finance ministers, the inclusion of emerging economies has also seen those economies strengthen their position. The need for emerging economies, such as the BRICS and Korea, to get on board in order to get the world economy back on track after the 2008 economic crisis, seems to simply have been too big for those economies not to gain considerable clout vis-à-vis the G7/8-members of the G20. This has had bearings on the G20 agenda. For instance, on institutional reform, the G20 leaders have together voiced the need for more reform in existing institutions.

As this study shows, the G20 – unlike the G7/8 – has specified the need for a broader membership of emerging economies in the earlier Financial Stability Forum (FSF) and in the IMF, as well as for better collaboration between those two bodies. While representation has long been on the G7/8 agendas, it seems that the addition of emerging economies has pushed institutional reform a little higher on the agenda. The effect of the G20 is interesting in this matter. For, not only has the G20 – both at a finance ministers' and at a leaders' level – kept the issue of changes to voting power and representation on the agenda; it has also provided a forum in which emerging economies can coordinate their positions on the issue and thereby bargain harder for changes. This has been particularly clear in the negotiations on the credit-lines offered by a group of countries to the IMF, thereby permitting it to lend more, if necessary. Due to the lack of a significant voice as to when the credit lines could be activated, emerging economies were hesitant in the aftermath of the crisis to extend credit lines. After considerable negotiation, however, China, Brazil, Russia and India succeeded in pushing for an arrangement by which the four of them could collectively veto the activation of the credit lines (Woods 2010a: 54-57; Woods 2010b: 9-10).

One way in which the G20 does not differ very much from the G7/8 is that of assistance to the weakest in the system (Woods, 2010b: 10). UN Secretary-General Ban Ki-Moon has several times urged leaders of the G20 economies to take urgent steps to help the poor and vulnerable to make ends meet through investment. During a working dinner in Toronto in June 2010 he asked the G20 not to “... balance budgets on the backs of the world’s poorest people” (UN, 2010). Yet, the issue of development assistance and mitigating the impact of the crisis on developing countries is one on which the inclusion of the emerging economies into the centre of global governance appears to have left less of a mark (Woods, 2010b: 10). This has not changed considerably during Korea’s turn as host of the G20.

#### 4.4 The G20 and Ideational Change

As the analysis over the two previous sections has shown, there is a discrepancy between the changes that have taken place in the material realm and those that have occurred in the institutional realm. Although the material shifts in global governance are formidable and have indeed created considerable alterations of the global governance structures, some of the adjustments initiated by the G20 in the institutional realm appear to strengthen the pillars of the global governance system rather than to replace them. The only African G20 member, South Africa’s moderate reformist trend in multilateral diplomacy, aimed at ‘fixing’ neo-liberalism provides an interesting example in this regard (Nel, Taylor and Westhuizen 2001).

While South Africa has arguably taken a more critical approach to global governance on political matters over the past years it has not done so in the economic realm (Jordaan 2010: 88). Considering that the African National Congress’ (ANC) supporters were mostly poor blacks in an extremely unequal society, that its allies all lay to the left and that, before assuming power, it had promised a redistribution of wealth, many had expected that the leading political party of post-apartheid South Africa would have opted for strongly interventionist and redistributive economic policies. However, after some initial hesitation the ANC has, with its Growth, Employment and Redistribution strategy, embraced neoliberalism, which is an integral part of the foundation of the current global governance architecture.

This liberal approach – which falls under what Cox (1996: 87-90) labels as ‘problem solving’, as it does not question the power relations that underpin the international order or how this order came into existence – has traditionally found most support from the industrialised states of the West, who all benefit from the *status quo*. Various descriptions by use of dubious labels such as a ‘regional leader’, an ‘emerging power’ and a ‘middle-tier state’, South Africa is also a country that has benefitted from the status quo. For, while the Western members of the G20 have benefitted from an economy in which neoliberal thought has a central place, the non-Western members of the group have too – some arguably even more so than their Western counterparts. After all, it is in a neoliberal world order that those countries have grown to a stature securing them an invitation to the table of global governance, through a place in the G20.

Hence, rather than question the foundations upon which the neoliberal order has been built, South Africa, and other non-G7/8 members of the G20 have tried to soften its edges, by seeking debt relief and more aid and investment for poorer countries. South Africa was amongst the countries campaigning for a change to the IMF’s voting rules in favour of developing countries. The country’s former finance minister, Trevor Manuel, is currently the chair of the IMF committee charged with its reform. South Africa is also amongst the members of the G20 left outside the G7/8, who at the WTO have been demanding that the Western governments adhere to the free trade doctrine they espouse; specifically, that they accept the liberalisation of their agricultural markets (Jordaan 2010: 87). This is an interesting point: while accepting neoliberal global governance, some of the non-G7/8 members of the G20 club of global governance seek greater consistency in the application of global economic rules. In that sense, they might even be argued to embrace world system more than the old G7 powers.

Meanwhile, some of the members of the G20 who are not part of the G7/8 need to be cautious of embracing the policies of the traditional system in order to safeguard their ambitions of regional leadership. Again, South Africa provides a relevant example. South Africa wants to be a leader of the developing world and of Africa in particular. That South Africa is seen by some as such a leader is suggested by frequent invitations to G7/8 summits; its position as the only African member of the G20; and that it has been



chair of the Commonwealth, African Union, Southern African Development Community, the United Nations Conference on Trade and Development, the Non-Aligned Movement (NAM) and the United Nations Security Council. However, the country's embrace of free trade has caused tensions with its economically less-advanced African neighbours. With millions of poor people of its own, South Africa has been trying to exploit its regional economic superiority and seek further liberalisation and integration of African economies. An agenda which has not been realised, amongst others because the elite in South Africa's neighbouring countries have not been thrilled by the idea of spreading liberal order in Southern Africa (Taylor 2006).

#### 4.4.1 New Group, Same Ideas?

The slogan for when France hosted the G20 summit in 2011 was "New World. New Ideas". But how new are the ideas underpinning the G20?



Figure 4.1 (G20 France 2011 logo)

Source: G20 (2011a)

Both when gathered at a ministerial level in 1999 and when initiated at a summit level in 2008 the G20 was created as a high capacity institution to make important decisions, deliver them, and develop global governance in response to financial crisis. In so doing, however, it may be argued that the core principles it diffuses are those of G7/8, such as open democracy, individual liberty and social advancement.

Co-founder of the G8 research group and founder of the G20 research group, John Kirton, supports the notion that the values promoted by the G20 at a ministerial level are closely tied to those traditionally supported by the G7/8 (Kirton 2005). The set of actions taken by the G20 in reaction to the 2008 global economic crisis suggests that neoliberal thought, including principles of free-market thinking and capitalism, continue to shape the outlook of the group even after it began its dual existence. The boosting of the old Bretton Woods institutions, the IMF and the World Bank, as well as the substantial bailout packages agreed upon, are examples of this.



One might think of several reasons for the G20 to allow the ideas of the G7/8 to form a central guiding element in its work. Firstly, G7/8-countries remain amongst the strongest members of the G20, giving them considerable influence over the course the group is taking. However, the constructivist notion of diffusion could shed some further light on the dynamics allowing conventional neoliberalist thought to occupy a central place in the thought and actions of the G20. For, while the orientation towards neoliberal thought may be driven by the fact that the members of the G20 see that strand of thought as superior to others, there is the additional possibility that the convergence around those ideas is driven as much by the desire for acceptance, symbolic legitimacy and status as it is driven by the search for efficacy. For non-G7/8 members of the G20, embracing the ideational goods of the established world order is a way to signal to various communities that they are part of the club and are supporting modern ideas and techniques. Since the Second World War it may be argued that the ideas of neoliberal free-market thinking have acquired somewhat of a normative status. International norms help to organise world politics, define the purpose of state activities, and shape what counts as acceptable behaviour (Finnemore and Sikkink 1998: 895). Eastern European countries seeking entry into the European Union adopt the values of the Union not only because they believe that they are superior, but also because they are the price of admission. Likewise, it is conceivable that non-G7/8 members see the embrace of neoliberal thought as a precondition for inclusion in the G20; after all, the membership of the G20 was determined by the G7/8-countries. In the same way as Third World states may accept the IMF's recommendations not only to secure IMF loans but also to receive its seal of approval to facilitate access to global capital markets, G20 members may see it as beneficial to accept the neoliberal ideational basis of the US-hegemon.

Also, constructivist thought suggests that states are likely to adopt those models that are perceived as successful or legitimate in periods of uncertainty (Barnett 2006: 265). Even in the absence of evidence that neoliberal thought is superior to other practices, states frequently adopt those models. Finally, one should remain conscious not only of which particular countries are represented in the G20, but also of the background of the individuals representing those countries in G20 meetings. After all, the choices as to how

to confront a challenge are likely to be shaped by informal interactions and formal settings such as universities in general and postgraduate programmes in particular. Finnemore and Sikkink's study of norm emergence provides an elegant account of how once established, standards can easily become the 'industry standard' and the accepted way of addressing problems in an area. The diffusion of the 'Washington Model' around the world is not owed merely to the demands imposed by the US and the IMF, but also to the fact that economists in other countries' finance ministries are trained in broadly similar ways in postgraduate programmes in the West (*ibid.*). This concern of the life-cycle of norms is one Finnemore and Sikkink share with Cox. Although many international norms have a taken-for-granted quality, they have to have come from somewhere (Finnemore and Sikkink 1998: 894-905; Cox 1981:128).

The set of reactions to the 2008 global economic crisis chosen by the G20 may also in part be seen to challenge neoliberalism; state intervention has been the main recipe to save the global financial market. However, the resurgence of state intervention is not necessarily something that runs counter to the logic of neoliberalism. Marxist theorist David Harvey claims that it is a myth that neoliberalist thought demands the retreat of the state. Rather, such intervention – which at first glance appears to run counter to the logic of neoliberalism, emphasising the importance of freedom of the market – is necessary to save the neoliberal system of capitalism and individualism (Harvey 2009). Thus, while enquiring into whether the ideas underlying the G20 may further a change in – or away from – the neoliberal system, it is necessary to examine the consequences of the actions that those ideas have been translated into.

An important critique of neoliberalism is that it contributes to the consolidation of class power, by collecting the assets available in increasingly fewer hands (Harvey 2009). Whether intended or not, a consequence of neoliberal faith in the idea of continuous growth contributes to this. The 2008 global economic crisis seems to disprove the idea held by some that the global economy is not a zero-sum game. The idea of a 'new economy', in which technological advancement and new bubbles would create space for continued, everlasting growth which became dominant throughout the 1980s and until the present crisis (Claes 2006) today appears flawed in the face of the 2008 global economic crisis. Nevertheless, the question posed by the G20 appears to be how it can

reconstitute the neoliberal capitalist system, although in a slightly more regulated, benevolent form (Harvey, 2009). As pointed out earlier, the approach of the G20 has revealed a group that is wary of challenging the fundamentals of the global system in which they have prospered. Rather, the G20 has agreed on bailout packages of unprecedented size to save that system. Whether intended or not, the dynamic following from those bailout packages has contributed to class consolidation, as they make the broader global population pay in order to keep the assets of those receiving the packages intact.

In short, the impact of the G20 on the global order seems to be that it is attempting to reinvent the system without challenging the fundamental, neoliberal values of free trade, capitalism and individualism. Some analysts have described G20 policy as placing scaffolding over a decaying building without trying to repair the underlying structure (Auerback, 2009). Notably, the G20 has not pointed to neoliberal policies as an element causing the 2008 global economic crisis. On the contrary, it has suggested neoliberal policies to get out of the crisis. According to Panitch, the significance of the G20 Toronto meeting in 2009 was to encourage every major capitalist country to commit themselves to continue with neoliberalist, capitalist, globalisation (Panitch 2010). For the Marxist, seeing neoliberalism as a theory consolidating class power, the effect of G20 summitry is therefore a further consolidation of class power, rather than a challenge to it (Harvey, 2009). Thus, while the shape and size of the G20 may provide some hope of positive change for the weakest in the global system – through increased representation – the actions taken by the organisation thus far do not seem to alter the global order considerably in favour of the weakest. Instead, the approach of the G20 seems to be fundamentally problem-solving, looking at how it might mould the existing system to work most efficiently, rather than challenging that system through critical evaluation. This is perhaps not surprising, given the above-described origin of the G20 as a crisis-buster. The aim of helping stem the deepening and broadening vulnerability that a rapidly globalising system brings about is still a central task, and does not – in the short term – allow for a fundamentally critical approach; in attempting to revive – or restore – the system one needs to focus on how best to modify that system in a way that makes it work.

#### 4.4.2 Perceptions of the G20 and the Change Accompanying it

Relative shifts in power relations are not new, nor are transformations in the institutional realm. Yet they seem to have been given more significance with the 2008 global economic crisis. Just as for Rosamond (2003: 663) globalisation only acquires reality when it becomes part of the 'assumptive worlds' of policy actors, this study argues that the relative shifts in global power relations seem to have acquired more relevance once they were perceived by the actors of the international system.

Statements of the G20 are interesting and reveal important aspects of the wider perception of the group. Structures and institutions are made by human action, but to understand structural and institutional change one needs to understand changes in what Vico refers to as the 'mind', that is, in people's understanding of and attitude towards their environment. People can use the same terms and give them different meanings (Cox in interview with Dale and Robertson 2003: 17). This study therefore retains a conscious view of the role of ideas in the changes related to the G20, as well as of the descriptions of the G20 and the change it represents.

Drawing on Vichian thought, Cox emphasises that ideas have bi-directional relationships with both material conditions and institutions; in other words they are not determined by them. Human beings have relationships with social, political and economic phenomena, and act upon them, by having ideas about them. The change in the ideational world, therefore, may be at least as significant as the changes in the material world. After all, the studies referred to under the account of the material change in global governance earlier in this study reveal that the shifting of power towards emerging economies is not something new. With the 2008 global economic crisis such changes seem to have become more apparent to actors of international relations, who have been forced to integrate them into their understandings of how best to meet the global governance problems caused by the financial crisis. Turning to a constructivist vocabulary, one might say that it is perhaps reality *per me* that has changed with the G20, as much as it is reality *per se*.

A closer look at statements about, and descriptions of, the G20 reveals that the group is seen in quite different ways. For US President Obama, the G20 is "the most diverse

collection of leaders in history” (White House 2009b). Chinese Vice-Foreign Minister He Yafei supports the notion of the G20 as a more representative body of financial and economic governance, stating “the G-20 has ... vitality and can represent the views of various countries in a balanced way”. This, Yafei adds, stands in contrast to the G7/8, which “lacks wide representation” (Associated Press 2009).

For others, however, twenty may not be enough. Representing a country less included in the G20 process, former Egyptian Foreign Minister Ahmet Aboul Gheit voiced concern, pointing out that “countries that are considered important players” need seats at the G20 table, too. He went on to urge the G20 to “[l]isten to the rest of the world” and not to “...turn it into a closed club as it was with the G8” (*ibid.*). This latter statement is particularly interesting, as it confirms an increasingly widely held view that the G20 is not only an institution working side by side with the G7/8, but that it is indeed replacing the group.

Amongst the analogies and key words used most frequently in characterisations of the group and its work we find: ‘stability’, ‘crisis-buster’ (Cooper and Bradford 2010), ‘coordinator’ (*International Business Times*, 2009), ‘facilitator’, ‘forum for discussion’, ‘a global steering committee’ (Chosunilbo 2010), or a space to ‘develop common positions on complex issues’ (*China Daily* 2010; G20, 2011). Common to these descriptions and key words is that they reflect a notion of the G20 as a forum for stability and system-preservation, rather than one for challenging the system. Although the G20 could be seen by some as a forum for the South to pressure the North, through greater representation from emerging markets, the G20 has thus far been involved in promoting stability. As suggested in the second chapter of this thesis, the initiation of G20 meetings, both at a ministerial level and at a summit level, is intimately linked to the governance challenges that are tied up with financial instability. In fact, the creation of the group, both at a ministerial and at a leaders level, may be seen as a reaction to crisis in the financial market. In some ways, financial crises constitute the very opposite of stability and order (Claes, Hveem and Tranøy 2006:155). Such crises shake the established system and the capitalist and free-market thinking engrained in it and could lead to an increased questioning of the ideas underlying that system. As a historical structure changes, the ‘common sense’ of reality changes. Such mutations of a seemingly fixed

historical structure might occur gradually or more suddenly (Cox in interview with Schouten 2009: 2). While there has long been a demand for more representative forums of global governance, it may be argued that the widespread acceptance the G20 enjoys amongst key economies tells the story of a shift of the latter type. In particular, the US's embrace of the G20 – illustrated by the above statement by Obama – suggests that the 2008 global economic crisis seems to have made it 'common sense' that a group of seven or eight economies can no longer lead the world.

The question as to how the US will adapt to a world it no longer can presume to lead is an interesting one. Cox (2009: 2) believes that the challenge of getting the US to understand and to be party to an adjustment to a new world order is a daunting one, not least because the adaption to such a new reality by other countries depends on the US taking the lead towards understanding its role as that of one great power amongst others.

"The moment Obama got elected was a moment that represented the possibility of such a change in American society, yet one year later, in terms of international relations, he has appointed all the people associated with the previous administration. So while there is now, because of Obama, a difference in the mode of expression of American power (Obama is much more sympathetic to the rest of the world than the rather aggressively dominant Bush/Cheney presidency), that power is directed in the same way as before." (Cox, 2009: 2).

Cox (2009: 2) compares the current position of the US with that of the dwindling hegemon Great Britain after the Second World War. No longer able to sustain its position as a world leader, Britain adopted a policy of withdrawal and turned over key international problems to the United States. Cox points out that while, in structural terms, nothing changed much at that moment in terms of dominance in world order, Britain managed to adapt to its new role. Thus far, the US does not seem prepared to do the same. Cox sees this seeming determinism regarding the role of the US in the contemporary world order to have major implications for domestic social forces, and to be called into question by the crisis in the world economy (*ibid.*). Attention to this gradual mutation of 'common sense' in the US and elsewhere is important, as it might point us towards the contingency of the prevailing order. Moreover, one should remain aware of what events and what actors may contribute to the changing, or non-changing, of minds. While it has already been stated that there is a clear link between material

change and ideational change, it is clear that ideas might also come from the minds of others.

Again, Finnemore and Sikkink's (1998) study of norm emergence appears useful. A variety of 'norm brokers', be they from the IMF, the World Bank or from the finance ministries of G20 members have sought to convince the G20 that the idea of economic orthodoxy – the dominant hegemonic idea at the world order level – is the only 'common sense' approach to stabilise and run the global economy. It is important to remind oneself how informal inter-action between individuals shapes the thought of the G20. The roots of the G20 go back to a group called the G10<sup>43</sup> in the 1960s. The group began meeting at a ministerial level when the arrangement made after 1945 to use the American dollar, tied to gold, as the global currency began to fall apart, but had by the mid-1970s turned into a meeting open to the heads of state. From 1975 to 1976 and onwards the group followed closely the ideology of neoliberalism (Panitch 2010). Just as with the G20 today, however, the meetings taking place amongst these leaders are not the only ones of importance. The duration of a G20 summit is simply too short and the complexity of the discussions during those meetings too great, for the leaders to be able to make the decisions that are required. Amongst the most important meetings, therefore, are those meetings of finance ministries and permanent finance officials. During such meetings, those involved socialise and get to know each other. Not only do they attend meetings together; they go to dinners together and exchange personal phone numbers, to do international fire-fighting and coordination. American economist Paul Volcker and Chairman of the Economic Recovery Advisory Board under President Barack Obama from February 2009 until January 2011 (White House, 2009c) has been at the centre of the G10 and G20 process since the 1960s and has been quoted as saying that "...it is not the communiqué that matters; it is getting to know each other that matters, it's developing a commitment to each other that matters, and indeed committing ourselves to convince our heads of state to do things that we think is necessary for coordination" (Panitch 2010). Hence, the manner in which the G20 process affects the minds and ideas of those involved in it may also affect the G20 process in itself.

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<sup>43</sup> Consisting initially of Belgium, Canada, France, Italy, Japan, the Netherlands, the United Kingdom, the United States, Germany and Sweden (IMF 2011)



## 4.5 Approaching a Conclusion

This chapter has broken down some notable changes in global governance related to the G20 into a material, an institutional and an ideational dimension, and studied them in turn. However, as it embraces a Coxian, process-oriented understanding of the world, it also recognises that these dimensions are interconnected. It suffices to look at the membership of the G20 to understand that material power determines the shape of institutions – the “systemically important” members which are allowed access to the institution are all amongst the strongest economies in the world. Hence, while deconstruction is an integral part of the method of this study, it also accepts that the pieces of global governance cannot readily be separated from each other.

Through deconstructing the changes related to G20, this study has established both that change is happening in the material, the institutional and the ideational realm, and that these affect each other. But in puzzling back together the elements of change studied in the various dimensions – so that they form a larger picture of the change the G20 represents – it becomes clear that the larger picture that appears when one draws together the observations made in this study is open for interpretation. In particular, the implications of those changes for the world order are not evident. Do the material and institutional shifts related to the G20 suggest that the world is – to put it bluntly – turning upside down? The answer to the question of how the G20 is shaping global governance depends considerably upon the manner in which one puzzles back together the fragments of change studied above. In other words, the ontology and epistemology adopted is decisive of what one sees. This study has used analytical tools from critical theory and constructivism – both arguably post-positivist theories.

From what has been discussed, the G20 seems to affect global governance in several ways. The spontaneous reaction within the global system as it experiences change seems to be to restore itself. While one way to do so may be to try to restore balance through a change of the first order – a change within the system – another may be to change the system itself, through a change of the second order.



One way for the current configuration of the world order to restore balance through a change of 'the first order' is to do 'more of the same', for example by the US trying to take an even more active hegemonic role than it is currently doing. According to Cox, however, the revival of hegemony in decline is not a likely scenario in the world today. Neither is a new hegemony founded by one single dominant power, such as China for instance (Cox 1992b). Rather, with the trends that dominated the context in which Cox wrote at the time, he found the most likely option to be a revival of the universal values and understandings of the declining hegemony, supported by a few powerful states in agreement (*ibid.*). The above discussion of the ideas underlying G20 action suggests that this may not be a poor guess; with its embrace of the neoliberal values supported by the US-led G7/8, the G20 may be seen as such a group. With the recent events in the financial markets and the global economy, it is not unlikely that the foundation of such values will undergo some revision before they are once again embraced. The discussion of this research reveals that although there has arguably been a lack of fundamental reform from the G20, the non-G7/8 members appear interested in revising the system so as to better accommodate their needs. Yet, the study has shown that the G20 has thus far not taken steps towards a complete rejection of the ideas related to the US hegemony. The G20's revisions of the ideas and institutions of global governance find themselves safely within the category of changes belonging to the first order of change.

Changes of the second order entail changing the very system of global governance. Cox – particularly in his later work (O'Brien 2002) – seems to be open to the possibility of a change of the second order, through a change to a non-hegemonic or pluralist order; an order without universal values, where rivalling states or regional blocs compete for global leadership (Cox 1992b). This prediction should not be looked upon without interest when studying the G20. The formation of blocs is one of the major potential challenges of the G20. As the waves of the financial crisis are diminishing in strength and the immediacy of the crisis subsides, it is not evident that the G20 will succeed in avoiding internal fracturing. Are members of the G20 prepared to let the group remain the 'hub' of their primary focus in terms of international organisation or will they reorientate their focus to smaller, more like-minded groups? Some evidence suggests that the privileging of like-mindedness has gained some momentum since the 2009 Pittsburgh Summit (Cooper and Bradford 2010: 10). At the G7 finance ministers'

meeting in Iqaluit in February 2010 the G7/8 format went back to its organisational roots, embracing a more informal style, with a stripped down agenda and no formal communiqué. Beltrame (2010) quotes one Canadian official to argue that such an organisational format was considered to be the model for the ongoing structure: “There is likely merit in making sure those who are likeminded and who rely on each other for trade and commerce and investment have some sort of united front”.

The risk of the G7/8 becoming a caucus group within the G20 both in terms of organisation – by positioning the G7/8 meeting before the G20 – and focus – amongst other manifested in the more aid-centric view of development of the G7/8 than the G20 – represents a considerable challenge for the G20 (Cooper and Bradford 2010). Moreover, it could contribute to the hardening of the disconnections between the G7/8 and the most powerful emerging states within the G20. There are several potential constellations of countries within the G20 that might become counterparts to the G7/8. Amongst them is the BRICs, and/or IBSA, or possibly the modern G5 – also called the Outreach Five; India, China, Brazil South Africa and Mexico – from the Hellingdamm-L’Aquila Process. More pronounced divisions within the G20 might offset the ability of the Group to maintain its success as a dynamic forum for decision-making in global governance. The potential for less agreement within the G20 raises question as to what the impact of the G20 on global cooperation is likely to be in the long term.

Thus, as this study draws towards a conclusion, it can be noted that critical examination of the changes in global governance brought about, and embodied by, the G20 reveals that the answer to how changes in global governance should be interpreted – and to what the role of the group is in those changes – is complex and multifaceted. The dynamic interplay between the three dimensions here studied does not allow for simple conclusions. Neither do the analytical tools the study has made use of. Nevertheless, it is clear that considerable changes are happening within global governance, and that the role of the G20 is pivotal to understand those changes.

# 5 Conclusion

## 5.1 Studying Changes in Global Governance through the Case of the G20

As stated at the outset of this research endeavour, the 2008 global economic crisis brought much attention to the issue of changes in global governance. The goal of this research has been to critically examine some of those changes through the case of the G20. This concluding chapter presents some of the main findings of the study, and says something about their relevance to the research aims stated in the first chapter, before it devotes some space to the question of why the G20 is important in the study of global governance. Finally, it makes some suggestions for what areas future research on the field might direct its attention towards.

Based on the analysis of this study, one might say that the crisis revealed a vacuum in global governance. As the analysis in this research has shown, shifts in global economic power relations, and – notably – in the perceptions of such power relations, have made it clear that the world is changing. Yet, when this study was undertaken, relatively little analytical, in-depth, research had been done to clarify the nature and significance of those changes. Even today, scholarly effort on the subject remains limited. This is particularly true for studies taking a critical approach. This study has attempted to help fill that void in the global governance literature, by providing an initial step towards a more critical approach to the role of the G20.

The analytical tools the study has pursued that aim with are to be found primarily within the critical theory of Robert Cox. With his holistic, and dynamic framework, emphasising the importance of the interlinked and interacting triad of ideas, material capabilities and institutions, Coxian Critical Theory provides a set of sophisticated tools for the study of change. In particular, the importance placed on ideational change for understanding transformation makes Cox's work interesting. In addition, the study has borrowed tools from the constructivist body of thought. While this should not be

understood as a critique of Cox, the nuanced and advanced view of the role of norms and ideas that constructivism offers has proved useful for a further exploration of the role of ideas, perceptions, and the “assumptive worlds” Cox describes. In particular, Finnemore and Sikkink’s (2001) emphasis on agents of social construction and norm entrepreneurs, contributing to the changing of social understandings, offered interesting perspectives of the changes studied.

Inspired by the Coxian framework, the aim of critically examining some of the changes in global governance embodied by, and emerging from, the creation of the G20 and its increasingly important role since the 2008 global economic crisis has been achieved through a deconstruction of such changes into three dimensions of global governance – namely, the material, institutional and ideational dimensions. In so doing, the study has remained clear on the significance of studying the interactive relationship between those dimensions; in order to better understand changes in any of the dimensions, it is necessary to study them in conjunction with the other two.

Materially speaking, a main finding of the chapter is that the economic power relations between central actors in global governance have undergone a significant shift. Although the already marginalised groups within developing economies face even lower standards of living and increasing poverty in the wake of the 2008 global economic crisis, economic growth is bringing non-Western developing countries into the top ranks of global governance. While the size of the US economy ensures that it remains a global leader, it seems clear that the relative strengthening of countries such as the BRICS does impact on the nature and development of global governance.

The study of institutional change confirms this. After all, through the inclusion of emerging economies into the G20, new actors achieve influence over the manner in which power is distributed, through creating and recreating the global governance system. While at the outset, the G20 and the measures it took to manage the 2008 global economic crisis appeared *ad hoc* or temporary, the decision at the Pittsburgh Summit in September 2009 to institutionalise the G20 at a summit level marks a shift in the locus of global leadership. The G20 has brought about transformation in global governance, signalling a break with the established system of institutions for managing global affairs.

In particular, the study has looked at how the G20 has driven change in the IMF, the World Bank and the Financial Stability Forum. It seems clear that while the Bretton Woods institutions remain central in the institutional framework of global governance, the inclusion of non-Western economies in the G20 has had an impact on the priorities and shape of those organisations. Yet, as this chapter argues, the systemic change does not fully mirror the extent of the changes that have taken place in the material realm. The discussion of this chapter concludes that this might in part be explained through the lack of qualitative change in the ideational dimension.

This study has retained a conscious view of the role of ideas in the changes related to the G20, as well as of the descriptions of the G20 and the change it represents. In studying what ideational change the G20 has brought about in global governance, one observation has been that the shifts in relative power relations, as well as the transformations in the institutional realm, seem to have acquired more significance in the minds of some with the 2008 global economic crisis and the creation of the G20.

A study of changes in global governance should not be limited to a study of tangible aspects of changes such as the material and the institutional changes. After all, it is only when such changes become part of what Rosamond (2003: 663) labels the assumptive worlds of policy actors that they begin to shape the policies of states. Studying statements of the G20 made by central figures from states such as China, Egypt and the US it became clear that the understandings and attitudes of those persons – or, what Vico refers to as their ‘minds’ – are increasingly recognising the importance of the G20 as a central body of global governance. Once perceived, the changes in the material and institutional realm of global governance which the G20 represents and embodies seem to have contributed to a gradual transformation of ‘common sense’, both in the developed and in the developing world.

It is no longer up to the US to lead the world on its own. Rather, it must negotiate the course of global governance with an increasingly wide circle of states. Yet, the study has shown that the norms and ideas that underlie the G20 remain closely tied with those guiding the G7/8. A variety of ‘norm brokers’, be they from the IMF, the World Bank or from the finance ministries of G20 members, have sought to convince the G20 that the

idea of economic orthodoxy – the dominant hegemonic idea at the world order level – is the only ‘common sense’ approach to stabilise and run the global economy. Institutions are, as Cox (1981:99) sees them, a way to stabilise and perpetuate a particular world order. As long as the absence of considerable disjuncture between the ideas of the G7/8 and those of the G20 remains, the potential for alternative paths of development remains limited. Similarly, however, the potential for structural change is considerable if the intersubjective understandings, which constitute common ground of social discourse in the historical context in which the G20 currently operates, experiences a more considerable challenge from alternative collective understandings.

Three questions of particular importance to understanding, and adapting to, the changes in global governance related to the G20 have guided the selection of issues dealt with in the analysis. These are, firstly; what role does the G20 occupy in global governance?, secondly; how does the G20 affect global cooperation?, and, finally; what kind of a shift in global governance relations does the G20 embody?

## **5.2 The Role of the G20 in, and Its Impact on, Global Governance**

The role of the G20 in global governance was dealt with both in the second and fourth chapters of this study. Firstly, it is clear that the G20, like the Gs that preceded it, represents something of an oddity in global governance. It does not have the trappings of an international organisation, nor is it an institution in a traditional sense. Rather, the group may be described as a forum, through which the twenty most “systemically important” economies in global governance can coordinate their national policies on certain issues. Secondly, while those issues have thus far remained within the economic sphere of governance, the study suggests that a widening of the range of areas dealt with by the G20 is not unlikely. Thirdly, there is little doubt that the G20 today occupies a perfectly central place in global governance. It is by far the strongest constellation of countries in the world, and acts as the centrepiece, or ‘hub’ institution, of global economic governance. Yet, both the historical roots of the group – which remain intimately tied to the G7/8 – and its actions today draw into question whether the G20 represents a change within the framework of global governance, or whether it represents a change of the global governance system itself.

Dealing with the question of how the G20 affects global cooperation, the study makes clear that the group is commonly seen as an example of how global governance is gradually becoming more multilateral. For instance, the G20s boosting of an organisation such as the IMF has even led some to see the group as a revival of a multilateralism that was waning prior to the 2008 global economic crisis (Woods 2010a). However, through critical examination, this study has revealed that the group may also represent an obstacle to effective multilateral governance. Through widening the inner circle of global governance, one simultaneously increases the perceived cost for those left outside. Just as India might prefer to work through the G20, rather than the UN – in which it does not occupy a regular seat in the Security Council –, it is perceivable that countries marginalised by the G20 process might attempt to find different bodies of governance to work through. Moreover, by “saving” the IMF, the G20 might be argued to be acting as a conservator of the system, as much as a protagonist for change. This directed the analysis towards the final of the three research aims of the thesis; namely, the question concerning the kind of change in global governance that the G20 brings about.

### **5.3** Changing the Order but not the System

In answer to the question concerning the type of shift in global governance embodied by the G20, the observation that the membership of the group is intimately tied up with power politics is revealed. For instance, the criteria for deciding which economies are amongst the twenty most “systemically significant” are non-existent. The fact that both the membership of the group was determined by, and the first gathering of it was initiated by, the G7/8, is one worthy of note. Particularly, it draws attention to the extent that the G20 differs from the G7/8.

Regardless of the perspective one chooses, the creation of the G20 is a recognition, amongst other by the US, that change is needed in global governance. However, there is no single answer to what impact the changes that the G20 brings about are. The analysis of this study suggests that although it is clear that the distribution of economic power has undergone and is still to undergo significant alterations, little attempt has been

made to overturn the old order and completely reorganise the rules and institutions of the system. Rather, G20 members seem to work towards a strengthening of the pillars of the system, thereby reviving the universal values and understandings of the declining US hegemony. Although the non-G7/8 members of the G20 appear to be interested in revising the system so as to better accommodate their needs, the G20's revisions of the ideas and institutions of global governance are of a first order – creating changes within the system, but not transforming the system itself. Given Cox's contention that we can only depict future structures in terms of a "... negation or potential negation of the dominant tendencies we have known" (Cox 1992a: 150) this may not be a surprising development. The lack of ability to conceive of something qualitatively new does not only limit our ability to depict the future, but indeed also places restraints on our ability to create it. This should be part of an explanation for the tendency to work through the Bretton Woods institutions, and rely on the ideational heritage of the G7/8, rather than to replace those institutions and let oneself be guided by new ideas.

## **5.4 Outlook: Why the G20 Matters, after all**

That the G20 has yet to alter the very system in which global governance takes place does not mean that the creation of the group has not had influence on global governance. While it may not have produced instantly different outcomes to those of the pre-existing G7/8, the discussion of this study has shown that the G20, through the inclusion of the non-G7/8 members into global governance, may have acquired a composition that sows seeds for change in the longer term. Although the composition of the G20 does not fully reflect the shift in global economic power, it is a recognition that such a shift is taking place. It has reinforced a growing concern about the anachronistic power balance in existing institutions of global economic governance, and might have created a blueprint for a group allowing for broader participation in global governance.

Albeit finding itself within the category of first order change, the G20 embodies considerable change in global governance. For the first time in modern history, non-western economies hold so much power that they are a force that cannot be overlooked. The standstill in the DOHA-round, the lack of action in the face of climate changes and the failure to agree on the best strategy to create a stable world economy in the future,



are all events which signify that the world currently lacks a clearly defined centre of gravity, capable of acting as a global leader. Even the search for a new head of the IMF underscores the fact that global governance has seen a tremendous rebalancing of power. Although it was clear from the beginning that Christine Lagarde was the most likely person to be chosen (Tiberghien 2011), the open debate on who was to succeed Strauss-Kahn as the leader of the IMF is interesting – and unprecedented. Emerging economies are no longer puppets to be pushed around by the stronger actors in global governance. Thus, drawing the conclusion that the G20 is a mere expansion of G7/8 rule, controlled by the US, is too simple. In the rapidly evolving field of G20 studies it is therefore imperative that one refrains from quick and simple conclusions.

The story of the G20 is one that might be told in several ways. This study has sought a critical and nuanced approach. The G20 is not a rebellion against the US hegemony and its leading powers, nor is the G20 simply the attempt of countries previously confined to the status of marginal losers in global governance to share the top table with the most powerful negotiators. If one wishes to say something meaningful about the change that the G20 has made in global governance, one must put aside simplified interpretations in favour of a more sophisticated approach. It is also clear that the field of G20 studies is still in its infancy and in dire need of further research.

## **5.5 Areas for Further Research:**

Integral to the motivation of the undertaking of this study was the lack of thorough scholarly engagement with the issue of how the G20 is affecting global governance. As the field of G20 studies grows, so does the amount of academic literature covering the group. Yet, the application of critical theory to the study of G20 remains limited.

The focus of critical theory is diverse and might provide great analytical insight into the nature of the changes related to the G20. Particularly, the awareness of critical theory that power also can be structural (Strange 1988) makes such theory useful in approaching the consequences of the altering of the global structure the G20 represents. Future research should examine not only the tremendous power possessed by the G20 in terms of its ability to redesign the international system; it should also critically

examine the context of which the G20 is a product and how that context has shaped the group.

To date, most analysts have focused on the G20's response to the 2008 global economic crisis. Less attention has been paid to the long-term effects of the G20 and where the group is headed. More attention should be given to the possible future developments in the G20 and global governance. One such development is the risk of internal fracturing in the G20.

The internal efficacy of the G20 decision-making process has thus far been relatively high. Should fracturing within the group grow as the immediacy of the 2008 global economic crisis subsides, however, Cox's scenario of smaller, more effective, (and probably rival) regional groups might become the preferred format for the exertion of governance.

In an article published in *Xinhua*, China's official news agency, following the G8/G20 meetings in Toronto and the announcement that France will play host to next year's summits, Indian professor of geopolitics M.D. Nalapat warns of the risk of a divide between the G8 countries and the rest of the G20 if the G8 continues to meet: "The G8 needs to disband itself so that both developed and emerging countries can together work to resolve the problems facing humanity. Should it continue, then we need a G12":

When the G8 was expanded into the G20, it was expected that the new forum would set right the imbalance in global consultations on financial matters by ensuring that the voices of China, India and Brazil are heard before policy gets decided. In other words, just as the G7 became the G8, the G8 would become the G20 .... Instead, the G8 has continued, and has imposed a format whereby they meet in advance of the G20 summit and work out a common position that they then ask the other 12 countries to accept ... If the G8 continues, then the 'G12' needs to meet in advance of such get-togethers the way the G8 does, so as to seek to find common positions on global issues. (Smith 2010)

Ever since the G8 started meeting with the Outreach 5 it has been clear that the G8 has not been able – or willing – to live up to the promise of treating all parties equally. This has forced the creation of Gs for those not included in the G8. The Outreach 5 decided to organise itself into a G5, also meeting separately prior to their meetings with the G8, and non-G8 members of the G20 seem to be establishing a G12 with regular meetings prior to G20 summits.

The idea that the G8 will focus on “strategic” and “security” issues, amongst others, expressed by European heads of state such as David Cameron and Nicolas Sarkozy (Smith 2010), is not likely to work in the long run. What happens if the G20 meets during a time of crisis in a realm other than the financial one? Are they simply going to ignore the elephant in the room? Smith (2010) points out that the agenda does not fall into issues that are either appropriate for the G8 or for the G20. Future studies should aim both at mapping the main threats to G20 unity<sup>44</sup> and how these might be avoided, and what the consequences of an increasingly fragmented realm of global governance – marked by blocs such as the G7/8, the G5, the BRICS, the G12 and the G20 – might be in the face of an ever-increasing global interdependence.

Another area of research upon which it would be interesting to shed some light has to do with the indirect influence that the G20 holds. While this study has focused mainly on how the G20 has affected global institutions directly, through reforms such as those made in the IMF and the World Bank, the more indirect impact of the G20 on other groups of global governance would be interesting to explore. The creation of the G20 has ripple effects beyond the direct influence of the group itself. Not only does the G20 create or reform other bodies of governance, it also influences the shape of other groups. For instance: the choice of the G7/8 not to dismantle itself now that the G20 has been created, risks forcing the creation of a Group of 12 amongst those which are not part of the G7/8 process. Another, less formalised reaction to G20 summitry is increased cooperation amongst states that see themselves as overlooked in the G20 process. The increased coordination between Nordic countries aiming at increasing their influence in the G20 is a good example in this regard (Norwegian Ministry of Foreign Affairs 2010). Moreover, one might imagine that a transformation of the manner in which the Non-Alignment Movement (NAM) or the G77 works, now that prominent members within it also represent the interests of the West, might take place.

Finally, while this study has only touched briefly on the subject, future research could

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<sup>44</sup> The reasons for the failure of putting problems such as development, failed states, nuclear proliferation and climate change on the agenda for the entire G20 membership could be imagined to be amongst the findings of such research.

concentrate on where the G20 seems to be positioning itself in relation to other central loci of power in the contemporary order. A particularly interesting subject in this regard, upon which I would have liked to elaborate in this study had there been room for it – is that of the relationship that the G20 is developing with the United Nations (UN). As the G20 countries are increasingly exercising leadership in global economic governance, the UN is left to play a secondary role in the handling of several important international issues. The G20 does not see itself as subordinate to the UN and does not ‘report’ to the UN for further consideration of its decisions before they go into effect.

It seems to be a common academic and diplomatic viewpoint that the G20 and the UN are both necessary and must learn to cohabit. Some also see the possibility of the two bodies of global governance working in tandem, serving as complements, each group’s strengths balancing out the weaknesses of the other (Kristensen 2010). On the one hand, the G20 might very well mark the creation of a competitor to the UN in other areas if it chooses to expand its mandate. On the other hand, the G20 and the UN are bodies of governance with distinct advantages that might enable them to fill gaps left by the other. For instance, the UN faces great challenges related to bureaucracy and efficiency, while the G20, with its flexible structure, has the potential to be less bureaucratic, more efficient, and less weighed down by many of the problems that plague the UN because it is not constrained in the same way as a multilateral institution. Moreover, the G20 might enhance UN cooperation by ensuring better cooperation between the UN’s biggest members. Agreement on issues during a G20 summit can potentially smooth everyday business at the UN. Meanwhile, the G20 might benefit from the UN as well, in that the organisation provides a platform needed to garner the changes that they broker. If the G20 wants to transform its decisions into reality it needs the legitimacy that the UN can provide.

Further research on how the creation of the G20 has influenced the wider institutional and ideational realm might provide interesting insight not only into how global governance is shifting today, but also into what shape global governance might take in the future.

The study of what G20 is and might become is both a challenging and interesting one.

Because the significance attributed to the G20, and thereby also much of its potential to contribute to structural and institutional change, is so intimately bound up with changes in the 'mind' – that is, in people's understandings of and attitude towards their environment – its role in contributing to changes in global governance might change quickly. As becomes clear from the history of the G20, important events – such as the 2008 global economic crisis – have the potential of altering the way in which we perceive the context within which we exist. What changed with the global governance was perhaps not so much the relative standing between key emerging economies and more established economies, or the importance of acting through the G20 instead of the G7/8, as it changed the understanding of the global governance landscape. Therefore, in order to better understand the impact of the creation of the G20, it is crucial that future studies on changes in global governance, and/or on the role of the G20, do not only study the material and institutional aspects, but also attempt to understand what role shifts in the assumptive worlds of both layman and scholar plays. As this study has pointed out, there is certainly room for more critical research on the issue of changes within global governance, both with regards to the G20 and in more general terms.

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