

# Fostering Bold and Innovative Ideas for Urgent Global Challenges: The V20 Contribution to the G20 during the China–German Transition

Yves Tiberghien

University of British Columbia and Munk School, University of Toronto

Since its self-appointment as the core global economic “Steering Committee” of systematically important countries in 2008–2009, the G20 has been facing a growing number of functional demands. Only the G20 has the ability to address global systemic risks, coordinate macro-economic policies among the major economic countries, provided coherent leadership to international institutions, and reduce policy frictions between emerging and established powers. Yet, despite rising expectations toward the G20, its effectiveness, seemingly, has gradually decreased. Its role as a platform for grand bargains and responsible global management by top political leadership has been overtaken increasingly by technical small bargains and routinized communiqués written by experts that only provide small steps forward. Even the vigorous and dynamic G20 Chinese and German presidencies in 2016 and 2017, respectively, had to scale back ambitious global goals and settle for normative commitments and minor adjustments. In response, a network of scholars, think tank leaders, policy leaders, and societal leaders came together in 2016 and 2017 as the Vision 20 to offer a way forward, a process, and a set of concrete ideas to nudge the G20 toward its potential as a long-term oriented flexible institution that is able to anticipate large-scale common systemic risks and muster collective responses. At a time of growing geopolitical tensions caused by shifts in the global balance of power, securitization of economic flows, and a broad-based social backlash against inequalities and fears generated by globalization, innovative solutions for collective global governance are urgently needed. This article summarizes the dynamic that lead to the Vision 20 effort and its early results.

## Introduction

In the Fall of 2008, the global economy faced the greatest economic crisis of the post-war period. World leaders responded by creating the G20 Leaders’ Summit out of the G20 created at the finance minister and central bank level in 1998. The G20 took up the challenge with influential summits in London (April 2009) and Pittsburgh (September 2009). Leaders designated the G20 as the “the premier forum for our international economic cooperation.” (G20 Leaders Statement in Pittsburgh, points 19 and 50). To some extent, the G20 Leaders’ actions from 2008 to 2010 proved effective (Alexandroff and Kirton 2010; Kirton 2013; Drezner 2014; Eichengreen 2015), though it also fell short in fostering a resilient system (Helleiner 2014; Eichengreen 2015). The resolution, according to some experts, came at a great long-term cost for the US-centered global system (Kirshner 2014).

Surveying the global economic and political outlook today in 2017, the situation of the global liberal order seems in some ways even more dire. Granted, we are not facing a “fast-running” dangerous financial meltdown as in 2008. Yet, there is a growing sense of gloom. Burdened by growing debt and rising trade protectionism, global economic growth remains slower

Send correspondence to Yves Tiberghien. E-mail: [Yves.tiberghien@ubc.ca](mailto:Yves.tiberghien@ubc.ca)

than before the global economic crisis. World trade has slowed; key countries appear to have “run out” of monetary and fiscal means and tools to do more. Politically, the United States and Europe, possibly others, seemed to face suddenly the rise of political populism, mixing identity politics, strong nationalism with expressions of anti-globalization. In the wake of Brexit in the UK, and then Donald Trump’s electoral victory in the United States, a hoped-for economic consensus among systematically important countries to buttress the global liberal order now appears ever more elusive. Elections in the Netherlands, France, and even the United Kingdom (June 2017) have eased the fear of a populist surge in the West. Yet these votes still showed the strength of the populist vote: 42.5 percent of British voters supported Theresa May and her hard Brexit/anti-immigrant approach in the snap election of June 8; and 40 percent supported the strong Leftist and anti-inequality platform championed by Jeremy Corbyn, her Labor opponent.

Various tensions and risks currently seem to beset the global system. The rise of Donald Trump raised strong nationalist views in his “America First” attack on globalization. President Trump has sought to discard key institutional pillars of the current liberal international order. He has pulled out of the previous administration’s flagship trade initiative, the Trans Pacific Partnership. He announced the U.S. withdrawal from the global Paris Accord. The Trump administration has also triggered a renegotiation of the NAFTA trade deal with Mexico and Canada. He has urged a renegotiation with Korea over the trade treaty. He has threatened U.S. trade partners (China, Canada, Mexico, Germany, Korea, and even Japan) with strong unilateral retaliatory measures and refused to commit to common language on free trade “anti-protectionist” language. At Hamburg G20 Summit, President Trump held the G20 Communiqué in limbo until the other nineteen conceded to a sentence recognizing “the role of legitimate trade defense instruments.”<sup>1</sup>

As noted above, President Trump withdrew the United States from the Paris Treaty soon after returning from the G7 Summit in Italy where leaders tried to dissuade him from abandoning Paris. His withdrawal has triggered an outpouring of global criticism from the 194 signatories of the Paris Accord, including China, India, the European Union (EU), and others. On the security front, candidate Trump and then President Trump continued to question the relevance of NATO, even at the NATO summit. Clearly, the global hegemon that created the global economic and security order—the Liberal Order (Ikenberry 2011)—is now unleashing a storm of opposition against this Order that the United States built and led for the last seventy years. Following what has been called the most acrimonious G7 in recent memory in Italy, and blunt comments from Chancellor Merkel in response, the period leading to G20 Leaders’ Summit in Hamburg set the stage for “two objects heading toward each other in danger of major collision.”<sup>2</sup>

EU leaders face multiple simultaneous threats: Brexit; an Italian banking crisis and possibly an electoral crisis; rising nationalism in many countries including in France, Denmark, Hungary, and Poland; illiberal politics in a number of its members including Poland, Hungary, and the Czech Republic; and the continuing migration crisis. In France, Emmanuel Macron has managed the impossible to score two astonishing electoral victories in 2017 (presidential and legislative elections), opening the door for a centrist

<sup>1</sup>Source: Hamburg G20 Leaders’ Declaration, p. 3.

<sup>2</sup>Source: insider briefing, June 2017.

reform agenda and strong support for the global liberal order. Yet, while Macron presents one strong new pro-globalization voice on the European chessboard, the road forward for the EU remains a difficult political road.

The crisis of political stability is of course not confined to Europe. In the rising economies, there are problems as well. Brazil has suffered severe economic retrenchment and the impeachment of a leader. Current President Michel Temer is facing corruption charges. Illiberal actions by the current Turkish President and a tough geography threaten Turkey's liberal future as well.

Rising inequality is feeding loud domestic voices against globalization across the G20 and beyond. The United States is deadlocked in tense relations with the EU over the transatlantic trade agreement, TTIP. There is conflict over tax reforms. And geopolitical tensions have risen to levels not seen since the end of the Cold War. United States–Russia relations have soured over Crimea, the Ukraine and Syria. United States–China relations, China–Japan relations, and China–South Korea (Korea) relations all exhibit “moments of tension.” South China Sea uncertainties and North Korean (DPRK) belligerency all raise geopolitical tensions in Asia and threaten the real prospect of conflict.

In this context, what is the G20's possible response? Can G20 efforts possibly be adequate? If not, what should G20 leaders consider as an appropriate response to today's global challenges? In fact, the G20 Leaders' Summit appears to be even more critical in dealing with growing national and global governance challenges than was the case when the Leaders' Summit emerged. Indeed, the G20 appears currently to be the only global governance platform that allows systematically important countries to coordinate their actions, along with intergovernmental organizations and the many non-state actors in the international liberal order. The G20 has the potential, at least, to encourage the global economy to function better: address inequality and grow more rapidly. It appears to be the only platform where leaders may face the many global challenges and reach, possibly, some collective response.

While the G20 remains the key platform for effective collective effort, its gradualist, technical, and consensus-seeking approach since 2011 is proving inadequate in facing the challenges that these countries face. The Chinese presidency in 2016 did provide strong leadership, but this enormous commitment by China was not enough to overcome the increasing hardship in reaching consensus with the United States and other increasingly nationalist and inward-looking nations. The German presidency in 2017 faced an even greater challenge and obstacle in the shape of President Donald Trump. While the German Presidency has shown extremely strong commitment to: global trade, sustainable development, climate and environmental issues, health and gender issues, and while Chancellor Merkel has dedicated possibly more personal time than any leader before, nearly all German priorities (except gender) faced blunt opposition from the United States. Not surprisingly, the actual G20 Summit in Hamburg became the scene for a collision between global visions.

The G20 process itself has increasingly become more overtly routinized and institutionalized as it sought to tackle more mid-term problems in the global economy. G20 efforts have led to intense bargaining over the various summits within the Sherpa and finance track meetings and the various

working groups (WGs). This was certainly evident in the lead up to the Hamburg Summit. Also, as a result of the routinization and institutionalization, the processes, in turn, have generated lowest common denominators outcomes and long technical communiqués that are often disconnected from the concerns of their own citizens. The process tilts toward a short-term orientation as the bargaining continues. Governments seek to capture what they can under the constraints of a given year. It does not generally permit the conclusion of a larger vision.

In the face of these many challenges, a global network of academics, think tank leaders, and former officials have come together under the umbrella of Vision 20 (V20) to discuss this yawning gap between urgent needs and current limited G20 outputs. Over the most recent summits the V20 identified both the crucial need for the G20 process to focus on large-scale common challenges and the actual solutions that can arise to such major challenges with innovative approaches, inclusiveness, and dialog among diverse players. The V20 experiment provided a setting to step beyond short-term interstate bargaining and political jockeying, quality discussion among policy leaders from established powers, rising powers, and developing countries. The deliberations led to a series of “big picture proposals” that emerged as two Blue Paper Reports, in July 2016 and in April 2017. What did the V20 understand as the gap between the challenges and outputs? And what could be done to close that gap? What could Germany – as the most recent host achieve in such a fractured political environment? What is the potential of the G20 going forward?

## The Gap: Scale of Global Challenges versus G20 Outcomes

The global economy is at time of great uncertainty. Several key trends are challenging the Liberal Order.

- The global economy is going through a post-commodity super cycle and post-financial crisis phase. This phase of the global economy features a general deceleration in growth, rising fiscal and monetary constraints, and a reduction in global trade flows.
- We going through a major power transition that has seen rising powers gain nearly 20 percent of the global GDP since 1990, and especially since 2000. Over half of this power transition is explained by the rise of China alone. Rising powers bring new interests, new voices, and new claims toward the global system (Mahbubani 2013; Stuenkel 2016).
- Anti-globalization and populist movements have appeared in most developed countries, in the face of rising inequality and stagnating living standards for the middle class, admittedly building on earlier political traditions from the Left and from the Right (Guilly 2016; Judis 2016; Mueller 2016; West 2016).
- Global cooperation is also required to address a rising number of systemic risks, address major global financial crises as in 2008, and generate required global public goods (Beck 1999; Kaul and United Nations Development Programme 2003; Sandler 2004; Alexander, Dhumale, and Eatwell 2006; Barrett 2007; Stern 2009; Spence 2011; Hale, Held, and Young 2013; Segal 2016; Wagner and Weitzman 2015). The consequences of climate change, financial instability, global poverty, and other systemic

risks that are genuinely global in scope, affect the life prospects of so many on the planet. Yet existing institutions of global governance have proven inadequate. As economist Michael Spence has observed: “the scope and depth of the interdependencies of the global economy have run well ahead of global governance structures” (Spence 2011). There is, therefore, an urgent need to “upgrade” the system of global governance.

- Many systematically important countries have gone through high-stake elections, or political change at the same time. These countries include the United States, the United Kingdom, France, Italy (earlier constitutional revision vote December 4, 2016), Germany (September 24, 2017), China, Brazil, and South Africa. Both France and Korea just elected more internationalist-minded leaders, who would appear likely to support the G20. Japan, India, Indonesia, and Vietnam remain relatively stable at the moment, along with Canada.

In the face of such uncertainty, the G20 urgently needs coordinated global action that can reduce some of the uncertainty, prevent zero-sum diplomatic behavior and in the end provide global public goods. Where can the G20 play a valuable role? The G20 has the potential to address the following:

- Adopt crisis management sharing information, concerns, mutual awareness. In addition the G20 can: reduce misperceptions, mitigate unintended consequences, and avoid zero-sum dynamics.
- Achieve coordination of short-term macro-economic measures.
- Update and support global rules and policies.
- Combat fragmentation and centrifugal domestic interests which erode global rules (e.g., trade, investment, environment, energy).
- Coordinate the work of various international organizations, including the IMF, the World Bank, the WTO, the OECD, and also the Multilateral Development Banks (MDBs). Such G20 coordination could ensure overall coherence of the economic governance space and provide, hopefully, more effective infrastructure.
- Deal with global market failures and systemic risks: Agenda 2030, global financial safety net, climate change, food security, global health, and epidemics.
- Manage great power transitions in the global order, augmenting the voice of rising large market states, and reducing costs for others in decline.
- Support systemically important countries that go through difficult political transitions.
- And spread innovations and new ideas, including new institutional designs and compliance through peer-review (both for the sake of performance and trust in rules of the game for all participants).

In order to perform these functions, the G20 must be able to: generate cross-issue bargains, depoliticize negotiations, and monitor outcomes to generate trust and a sense of fairness. The G20, however, face major obstacles. These obstacles have grown more acute over the recent past hampering G20's global policy making. Obstacles that have limited the G20 include:

1. The G20 are in the midst of a dynamic and fluid economic period—an age of disruption, with profound risks and a reshuffling of country economic rankings.



2. As part of the apparent power transition and due to increased domestic inequality and partisanship, major powers are facing intense domestic pressures between winners and losers.
3. Increasingly populist and nationalist domestic politics and increased partisanship within major powers constrain the capacity of leaders to make credible commitments to the G20 partners. Under a Trump Administration, the United States has sought to block global agreements on trade, climate, and other related issues.
4. The U.S.–China power transition, in particular, motivates the United States and its close allies to reinforce the current order especially in Asia. Rising powers demand reforms and have taken credible steps toward partial exit including proposing alternative trade arrangements, initiating the BRICS' New Development Bank, and the Asian Infrastructure Investment Bank (AIIB). This changing economic dynamic makes consensus difficult between established and rising countries.
5. With the rise of geopolitics, there is security competition over areas from East Asia to Africa and Central Asia. The geopolitics further complicates global order matters.
6. Traditional policy thinking and policy-making slow the potential and prospects of “new thinking.”
7. The exclusion of major groups, including angry segments of societies and rural areas within G20 countries, as well as most of Africa or other regions from the G20 process affect its legitimacy. G20 outcomes are prone to “political backlash” within key countries, such as the United States but also in the United Kingdom and other European countries.
8. The G20 is also hampered by a lack of capacity. Without a secretariat, the G20 relies on the administrative capacity of ever-changing presidencies, which can bring variable commitment to the leadership tasks. As a matter of contrast, it is interesting to note that BRICS countries are investing in a “beefed up” secretariat.

### *The Antalya G20 Summit of November 2015*

As a host, Turkey had limited time for the G20 agenda. It had to deal with urgent crises involving the Syrian war, internal civil war, political uncertainties, and elections, and also massive refugee flows. As a result, Turkey focused on a narrow agenda of “inclusiveness, implementation, and investment.” The main agreement coming out of the Antalya Summit was the Action Plan on Base Erosion and Profit Shifting by large multinationals, an item inherited from the 2013 Russian G20 and advanced by OECD WGs.

The 2015 G20 under Turkish Presidency demonstrated the obstacles and limitations of the G20. The G20 summit in Antalya, Turkey (November 15–16, 2015) was a relatively “low-key” affair that mostly kept the global process of gradual institutional fixes alive. Yet, the final declaration contains almost nothing new, significant, or transformative. It seemed to do little to nudge the global economy out of its “new mediocre” equilibrium or to address systemic risks that could threaten the global economy. Antalya failed as an opportunity for G20 leaders to anticipate future institutional needs of the global liberal order and nudge progress. In sum, it provided some technical advance, but little else.

### Achievements of the Chinese G20 in a Larger Context<sup>3</sup>

In 2016, the Chinese presidency and Chinese economic ministries and think tanks unleashed much energy throughout the year leading up to the Hangzhou Summit. They activated, or enlivened, WGs on: global financial governance, trade, environment, and development. The Chinese hosts organized more meetings and more elite consultations than any previous G20.

The Chinese leadership attempted to make the Hangzhou G20 one of the most important G20 summits since London in 2009. The Chinese focused on long-term governance and sustaining globalization in the age of “green” and shared growth. They even managed to absorb and attenuate the great uncertainties hovering around the Chinese economy from the summer of 2015 until early 2016. It is at least arguable that the Chinese Presidency poured as much effort and focus on a successful G20 since the Korea Summit in 2010. The city of Hangzhou itself was given a significant facelift, turning it into a clean and well-groomed city in China, at the cost, of course, of emptying Hangzhou of many of its inhabitants just before the G20 summit.

#### *Objectives of the Chinese G20*

After President Xi Jinping presided over a study session on global governance in October 2015, and after discussing the issue at length during his U.S. visit in late September, President Xi signaled a real commitment to global economic institutions.

On December 1, 2015, President Xi reiterated the big picture mission of the G20:

Now, all eyes are on the G20. As an important forum for cooperation among developed countries, emerging markets and developing countries, the G20 plays a key role in leading and advancing international economic cooperation. It should act with a broad vision and deliver concrete outcomes. It should address critical issues affecting the global economy and endeavor to promote strong, sustainable and balanced growth.

He added:

We should strive to build an innovative, invigorated, interconnected and inclusive global economy and explore new ways to drive development and structural reform, injecting impetus into the growth of individual countries and energizing the global economy. We should embrace the vision of a global community of shared future, enhance economic connectivity and exchanges among countries and improve global economic and financial governance so as to address inequality and imbalance in global development and ensure that the benefits of economic growth will be equitably shared by people of all countries.

China focused on five priorities. First, China continued the traditional G20 priority—fostering global growth and developing synergies among macro-economic actions of key countries. China’s own initiatives greatly mattered in this regard.

Then, China sought to move forward the global financial architecture agenda, including regulatory reforms on banking and financial safety net issues. As well, China continued to prioritize the internationalization of its

<sup>3</sup>This section builds on the analysis published by the author in the *Australian Institute of International Affairs* on September 8, 2016. [http://www.internationalaffairs.org.au/australian\\_outlook/assessing-the-g20-great-impetus-amidst-great-frictions/](http://www.internationalaffairs.org.au/australian_outlook/assessing-the-g20-great-impetus-amidst-great-frictions/).

currency (the RMB or Renminbi) and pressed for its inclusion into the IMF Special Drawing Rights (SDR) reserves. This inclusion of the RMB in the SDR remains largely symbolic: very little impact arises from this inclusion on the behavior of global market actors. The use of the RMB as a currency for global transactions actually peaked in mid-2015 around 2.5 percent, a very small number. The usage of the RMB as an international reserve currency likely will not increase significantly until China develops deep and liquid financial markets with strong and credible market regulation. Nonetheless, the SDR issue was used as a tool by Chinese reformers to advance further financial reforms and was therefore important within the Chinese domestic political economy.

Next, China sought to elevate trade as key issue for the G20. Hangzhou presented an occasion to discuss how to ensure that the current proliferation of free-trade agreements (including the Trans-Pacific Partnership) did not lead to the undermining of the global trading regime. China also sought to advance the global agenda on common investment rules.

Then, China announced that it would devote serious attention to the issue of development, including support for the implementation of the UN Sustainability Development Goals (SDGs). Developing monitoring mechanisms and other tools to accelerate their implementation represented a welcome initiative, given that all UN nations had committed to these goals by September 2015. Chinese leadership also had the potential to mark the global commitment to infrastructure investment (in the wake of the 2014 Australian presidency) and develop a grand bargain, according to which G7 nations would fully welcome the newly created AIIB, while the AIIB and other new development institutions spearheaded by emerging nations would commit to upholding key global standards on transparency, environment, and social and labor rights.

Finally, China was willing to leverage momentum from the successful conclusion of the Paris climate change talks and offer leadership on energy and climate change within the G20.

### *Achievements of the Hangzhou G20*

Building on a series of key meetings, including the July 24, 2016, Chengdu meeting of finance ministers and central bankers, and the earlier July 10 Shanghai meeting of trade ministers, the Chinese G20 managed to “plug” a few holes in the global liberal system and to advance a few mid-level priorities. For the first time, the G20 seriously embraced climate change (and the Paris Agreement) and the Agenda 2030 (SDGs). The Chinese efforts helped enhance overall coherence in global governance by improving the interface between the UN-based regimes and the Bretton Woods economic structure with the G20 global governance leadership. China also played a positive role in connecting developed, emerging, and developing countries in its initiatives this year.

Examining the efforts of the Chinese presidency the Chinese G20 process scored successes in a number of dimensions:

1. The Chinese G20 saw significant concentrated thinking and policy planning on new long-term sources of growth, particularly innovation with a new “Blueprint on Innovative Growth,” structural reforms (with preparation of common indicators); and focused investment in infrastructure.



2. Infrastructure investment was identified as a key link between a growth, development (Agenda 2030), and a greener future. In this regard, the “MDBs’ Joint Declaration of Aspirations on Actions to Support Infrastructure Investment” breaks new ground. It brings together the development banks World Bank, Asian Development Bank, etc., and the new investment banks, the AIIB and the New Development Bank, around a coordinated effort to increase infrastructure commitments.
3. The G20 added impetus to the COP21 Paris Agreement on climate change, thanks to surprise ratifications from the leading carbon emitters, United States and China just before the G20. The final Communiqué devotes a paragraph to climate (paragraph 43) with some new thinking on green financing.
4. Significant new ground was broken on international monetary governance with China joining the SDR basket on October 1 (at the level of 10 percent) and support by G20 members for some issuance of SDR-denominated bonds. At the same time, China indicated its support for the Paris Club as the key venue for debt negotiations.
5. Concrete targets and deadlines were to be set regarding tax havens. The German G20 Summit was due to list non-cooperating jurisdictions and prepare sanctions. The issue, however, was left on the back burner during the German presidency with only a request to the OECD to update the list of jurisdictions by the next summit.

### *Shortcomings in Hangzhou*

Critical files, however, saw only positive language but little in the way of positive action.

1. On trade and investment, the Chinese presidency deployed great efforts to break deadlocks and issue a new code of conduct on investments. Notwithstanding these efforts, however, the agreement remains vague and aspirational. The issues were just too politically sensitive for the United States and other countries to reach agreement, especially while China is still perceived to gain unfair advantages from the open global system.
2. G20 leaders agreed to a coordinated discussion around overcapacity in steel, committing to a dedicated OECD meeting in September 2016. This agreement may have assisted in defusing a potentially “hot” trade issue. With hindsight, however, the follow-up within the OECD process did not lead to significant solutions and the steel issues reappeared with a vengeance at the Hamburg G20 Summit.
3. Fossil fuel subsidies also remained “too hot” and the G20 Leaders were unable to fix a firm termination date.
4. IMF and World Bank quota reforms remain on the agenda but were carried forward to the Germany presidency.
5. Inequality and inclusiveness are addressed directly by the G20 Communiqué. Concrete measures, however, are lacking. Domestic inequality remains an acute national issue.

While policymakers, former officials and experts of the G20 countries and international organizations put up a “good show,” real political coordination requires trust among great powers. Security tensions and internal domestic economic tensions, as noted earlier, have eroded trust among the

major powers. Technical coordination at the Hangzhou G20 has not generated enough momentum to overcome tensions among the major economic powers. In sum, even the concerted efforts of the Chinese Presidency failed to overcome the shortcomings that remain in global system.

## Forward under the German Presidency in 2017

The good news. Germany, like China, was strongly committed to a successful G20. The German host focused on a number of issues including: sustainable development, climate change, oceans, migration, and Africa. Traditional G20 agenda items remained as well: macro-economic coordination, trade, financial reforms, and tax erosion. The same constraints that hampered Chinese enthusiasm and action remained in place, however. In fact, coordination has been made even more difficult for the Hamburg G20 with the election of the highly nationalist, “America First,” Donald Trump.

The German priorities for the 2017 G20, unveiled by Chancellor Merkel on December 1, 2016, focused on three key words: resilience, sustainability, and responsibility.<sup>4</sup> Under the first pillar of resilience, Germany prioritized the following: economic resilience and structural reforms; continued reforms of the international financial architecture; green finance and financial inclusion; continued efforts on fair global taxation (against base erosion); multilateral cooperation on international trade and investment (including digital trade); and, finally improving employment (including particularly for women).

Under the second pillar of sustainability, Germany focused on: climate change (supporting the Paris Agreement) and energy transition; making measurable progress on Agenda 2030; marine litter; developing an internationally agreed regulatory framework on digital technologies; health, antibiotics, and pandemics; and empowering women.

Finally, with respect to the third pillar of responsibility, Germany identified work on: issues of displacement and migration; an intensified partnership with Africa, combating terrorist financing and money laundering, fighting corruption; and improving food security.

Germany has been successful in coordinating closely within the “Troika” – that is with the Chinese and Argentinian governments. Germany also has relied on strong European support, including France, especially after Emmanuel Macron’s election as French President. Chancellor Merkel has been less able to rely on British support in the face of Brexit. Germany has faced its most difficult relationship in working with the new Trump Administration and the new President.

In early Sherpa meetings, newly appointed U.S. Sherpa Kenneth Juster was simply not able to take any position on matters such as trade, climate, or development, given that U.S. positions were still fluid. By June 2017, it became clear that the United States would oppose any G20 language supporting the Paris Agreement on climate change, free trade, and opposition to protectionism, or investment regulations. Even language supporting Agenda 2030 appeared to be problematic. Unlike previous G20 meetings, no draft communiqué was circulated in advance and much ended up being

<sup>4</sup>Source: G20 Germany 2017. “Priorities of the G20 2017 Summit.” [https://www.g20.org/Content/DE/\\_Anlagen/G7\\_G20/2016-g20-praesidentschaftspapier-en.pdf?\\_\\_blob=publicationFile&v=](https://www.g20.org/Content/DE/_Anlagen/G7_G20/2016-g20-praesidentschaftspapier-en.pdf?__blob=publicationFile&v=).

negotiated at the last minute during the Hamburg Summit on July 7–8.<sup>5</sup> The only issues around which early consensus was possible was on: empowering women including a new facility in the World Bank championed by Ivanka Trump, the U.S. President's daughter and advisor, health, and counter-terrorism.

The Hamburg Summit, however, did end up producing the expected clash between Germany and the United States. Angela Merkel, with the support of basically all other countries, stuck to her priorities and the working agenda. To her credit, the final G20 Leaders' Declaration remained substantial (with a full fifteen pages) and covered all issues included in the initial German priority list, including a program for Africa, marine litter, financial regulations, trade, climate, women empowerment, anti-corruption, wildlife protection, and global health and combating global diseases. However, the G20 declaration contained no substantive new commitments, except on women entrepreneurship (new World Bank facility). On trade, the reassertion of beliefs in trade and investment as key engines of growth, innovation, and jobs was balanced off by the sentence demanded by the U.S. legitimizing "legitimate trade defence instruments."

On climate, no country other than the United States defected from the Paris Agreement, a great success in itself, but the G20 Declaration could only acknowledge that the United States was no longer a member of the global consensus on climate. On development, there is no significant credible commitment to measuring and enforcing Sustainable Development Goals—Agenda 2030. Finally, while the G20 Declaration does acknowledge the urgent challenge of inequality and growing numbers of people left behind by globalization, no significant commitments were taken by the G20. No program was announced that would credibly reduce such economic inequality and dislocation. Issues, such as portability of welfare and training that were advanced by the V20 group in 2017 were not significantly integrated into the G20 Declaration, or the action programs.

The chasm between Trump and Merkel, in particular was too great to allow for substantial breakthroughs on global public goods, beyond a few gradual steps. One may still welcome the fact that the G20 process held together in the great storm and gets to live another day, something that was not a pre-ordained conclusion in early 2017. As Alexandroff puts it, the Hamburg G20 did allow Trump and other world leaders to fight it out publicly in the light of the day, which in turn is the first step toward any future possible cooperation. In this way, the Hamburg Summit was extremely useful, proving again that, whatever the conditions of the day, "the G20 is the heart of global leadership"<sup>6</sup> (and we are all the better for it).

The fact that most other countries including developed countries such as Canada, Europe, Japan, and Korea, and emerging powers such as China, India, Mexico, and Indonesia actually found agreement on a wide range of priorities remains a testimony to the potential of the G20 process as cross-cutting platform to generate new mechanisms and institutions of cooperation.

<sup>5</sup>Source: insider briefing, June 2017.

<sup>6</sup>Source: Alan Alexandroff, July 10, 2017, "The G20 – It's Relevant But Different it Appears in the 'Age of Trump'" available from <http://blog.risingbricsam.com/?p=2971>.

## The V20 Idea and Results in 2016

In early 2016, as mentioned above, a coalition of scholars, think tank leaders, and some former policy officials came together around the idea that longer term and strategic thinking was urgently needed for the G20. The G20 had to extend beyond the short-term technical compromises that filled the various Leaders' statements.

### *The Vision behind the V20 Initiative*

According to V20 leaders, the V20 proponents described global governance in the following terms:

The world is witnessing an extraordinary technological, economic, social, environmental, and political transformation. Market integration and social change have proceeded at a rapid pace, which has stretched the institutions and power networks that underpin our global economic system. New powers have risen, with about 20 percent of global GDP shifting toward emerging economies since 1990. As noted by the IMF's Christine Lagarde on March 20, 2016, emerging and developing economies have generated 80 percent of world growth since the 2008 global financial crisis. Dealing with global public goods, systemic risks such as climate change, and global institutional resilience now depends significantly on quality cooperation between established and emerging powers. Yet, our international institutions are only beginning to adjust to this core requirement.

... The goal of the Vision 20 meeting and network is to bring together scholars from various fields with think tank leaders, former officials, civil society and private sector leaders, with the hope of generating ideas and actionable items for beyond the short term to the medium term and beyond, while finding ways to initiate such processes in the short-term. What are major global risks for the international system at the horizon of 2025? How can the G20 help deliver concrete outcomes on key global priorities: climate change, sustainable development, global financial regulation; and greater global economic growth? How can we ensure improvement and resilience in the institutions that undergird and strengthen the global economy and indeed improve the global order? What are entrepreneurial ways to initiate positive change toward improved global governance and increase the inclusiveness and legitimacy of global governance systems? How can we ensure successful cooperation between emerging and established powers over global public goods, despite tendencies to focus on the ongoing power transition and internal social priorities?

### *The V20 Meeting in Hangzhou (March–April 2016)* *[<http://www.thevision20.org>]*

China's G20 leadership provided the opportunity to address the issues identified in the V20 statement and other questions as well, with an eye to enhancing China's role in global governance and urging a new global architecture that could meet future challenges. Hosted by Zhejiang University in Hangzhou, the first V20 gathering brought together fifty international scholars and policy-makers. Entitled, "Vision 20: International Summit on Global Governance's New Frontiers: How Can the G20 Take a Proactive Role in 2016," the conference met from March 31 to April 1, 2016. The gathering was planned and co-sponsored by the University of British Columbia (UBC), and the Munk School of Global Affairs at the University of Toronto. The conference organizers brought to this first V20 meeting former senior government officials, prominent policy analysts, and academics: Pascal Lamy (former WTO Director General), Bertrand Badré (former

Managing Director and CFO, World Bank Group), Justin Yifu Lin (former Chief Economist of the World Bank), Paul Martin (former Canadian Prime Minister, by video), Mahendra Siregar (former Vice Minister of Trade and former Minister of Finance, Indonesia), Michael Callaghan (former G20 Finance Deputy of Australia), He Yafei (former Vice Minister of Foreign Affairs, China), and Masahiro Kawai (former high official in the Japanese Ministry of Finance).

These global leaders were joined by Chinese policy leaders from CCIEE, Shanghai Institute of International Studies, Tsinghua University, Peking University, Fudan University, and Zhejiang University. Following the conference, a WG and also an advisory group were formed to draft and review a short report—described by our Chinese colleagues as a Blue Report. This first V20 meeting focused on six themes and questions:

1. Growth and innovation: panel 1 discussed the possible structural sources of the currently “mediocre” global growth, including issues of global uncertainty, risk, and volatility.
2. Trade: panel 2 discussed ways in which the global trading system can be buttressed and consolidated, including bridges between bilateral and regional FTAs. What measures can the G20 take to enhance collective trust and incubation of new agreed norms in the global trading system?
3. Sustainable development and infrastructure: panel 3 discussed how the recently adopted Sustainable Development Goals can be successful—monitored and implemented. The panel examined the role that the OECD and UNDP can play, as well as other ways to have credible monitoring mechanisms. The panel also focused on the issue of the global infrastructure financing gap and how MDBs could support each other in addressing that critical infrastructure gap.
4. International monetary system: panel 4 reviewed the ongoing SDR reforms in the IMF and internationalization of the RMB. The goal was to prepare the right information, resources, and institutions for a future multi-currency system. Could the G20 mandate a long-term study group?
5. International financial reforms: panel 5 reviewed international financial institutional reforms (IMF, Financial Stability Board) and how to increase the resilience of the global system against a potential future financial crisis. Attention was given to the issue of consolidating the currently diverse and fragmented safety nets and examining ongoing reforms of the IMF.
6. Climate and ecological civilization: panel 6 sought to develop concrete initiatives to follow up on the December 2015 climate summit, including:
  - Spreading best practices for a “cap and trade” system and to examine carbon tax models; advancing the thinking on developing a credible price signal enabling higher levels of R&D on low and no-carbon energy sources.
  - Giving space to the network of leading green cities.
  - Developing incentives through issue linkages to trade or other areas.
  - Buttressing the global information-sharing and governance of energy for the benefits of all.
  - Advancing incentives to phase out inefficient energy subsidies without hurting the poor, and
  - Advancing ideas on green financing.



### *The Blue Paper*

In July 2016, after rounds of deliberation, the multinational V20 WG released the Blue Report with key recommendations for G20 leaders. Entitled, "Give the World Hope: G20 Leadership for People-Centered Inclusive and Sustainable Growth," the Blue Report emphasized key principles and concrete actions that could enhance both the impact and legitimacy of the G20.

The Preface of the Blue Report states:

The global economic, environmental, and development systems exist today in a time of uncertainty. The financial crisis of 2008 and its consequences are still with us. For most people in the world, their lives, economic security, incomes, and livelihoods have been disrupted, perhaps permanently. There is an urgent need for global leadership. However, for too many people, global governance and the G20 Leaders Summits are seen as too technical and controlled by bureaucrats and officials. The Working Group (WG) believes it necessary to reinforce the role of the G20 as the pivotal vehicle for ensuring the stability, and welfare-enhancing capability of global interdependence. Giving credence to this approach is the ability of the G20 to enhance the integration of emerging powers into the global governance architecture.

The Blue Report reflected a positive view on the potential of the G20:

The G20 is sometimes constrained in its capacity to initiate change. Nonetheless, it possesses two powerful tools:

- Together, G20 leaders can make clear and powerful statements, which can signal the path of economic progress to all actors around the world. What matters is for G20 leaders to take ownership of these statements. Instead of laying out a set of technical recommendations by G20 officials, what is needed is a political commitment by the highest level of national leadership.
- The G20 encompasses the most important stakeholders of the key international economic institutions. Thus, G20 leaders can issue influential recommendations to international institutions across many policy areas and organizations.

One key recommendation of the Blue Report was a call by the WG for a new and more direct style of G20 summits and communiqués:

The WG believes that Leaders at G20 Summits can strengthen their connection with their publics by devoting more attention to the content and the modes of communications from the summit platform. Several innovations could be made including:

- A new style of G20 Communiqué: A parsimonious brief announcement, written for the public and with a public presentation of the declaration by the G20 leaders.
- A statement targeting the global situation in clear and accessible language. Key ideas could be summarized and Leaders could speak in more direct ways to their publics. The WG believes that G20 leaders understand that globalization requires fair and updated rules that can elicit trust, a sense of fairness, and certainty. We believe G20 leaders can communicate in ways that will increase the stability of the global economy, and improve distribution of the benefits of globalization to the majority of the world's citizens.

In terms of policy, the Blue Report advocates concrete and credible actions on the following key dimensions:

- people-centered growth;
- innovation;

- a commitment to implementing Agenda 2030;
- large-scale investments in infrastructure;
- trade;
- international monetary system reforms;
- international financial reforms; and
- illicit financial flows.

On global governance reforms, the Blue Report proposed:

The WG anticipates that the G20 Leaders are committed to good, meritocratic, transparent, sustainable, diversity-respecting governance in all global and regional institutions. We believe that G20 Leaders share a common belief in the need for highly competent and trusted leadership of the regional and global institutions. The WG believes this step is essential in earning the trust of citizens and markets, and suggests that:

- Old and new institutions should follow a set of common-shared principles.
- The institutions could be urged to take a transparent and meritocratic process of selection for leaders of regional and global institutions.

### **V20 Outcomes in 2017 (Report Available Here as Well as on the Official T20 Website of the German Presidency Here)**

The V20 met again to prepare for the German presidency, this time as part of the official T20 process (as one of the G20 insight initiatives). This second gathering included the Vision 20 partners for 2017—The Brookings Institution, Friedrich Ebert Stiftung Foundation, Heinrich Boell Stiftung, North America, the Munk School of Global Affairs at the University of Toronto, and the University of British Columbia. The partners held a major workshop at the Brookings Institution in Washington on February 27, 2017. This gathering included over 30 high level practitioners, policy experts, private sector leaders, union leaders, academics, and students from many countries. The workshop was designed to discuss the current economic and political climate and to propose initiatives that could address the uncertainties, concerns, and challenges in G20 countries. After the conference, another WG was struck to draft a new short V20 vision brief.

This new V20 report focused the attention on the rise of social pain and popular anger in many G20 countries and called on the G20 to break new ground, both in the way it engaged global citizens and in addressing such urgent social challenges. In its preface the V20 report stated:

The WG notes that this is a time of great public uncertainty and it is the responsibility of G20 Leaders to affirm to their citizens and beyond that they are fully aware and acknowledge citizens' unease. Leaders should communicate their determination to significantly strengthen the capacities of G20 economies to deliver better economic and social outcomes and address inequality, for the betterment of all its citizens.

Societies and governments, legislative bodies, political parties and rule-making agencies need to develop fresh approaches and new strategies for shifting economic trajectories toward better results for individual workers, working families, their local communities and people in all walks of life.

Addressing these issues, the 2017 V20 Report proposed measures on the following priority areas:

1. Addressing technological disruption and the impact work: urgency to develop tools and share best practices on social partnerships, portable training and welfare, and inclusive measures.
2. Triggering Responsible Corporate Practices and Taxation: encouraging accelerated transparency measures and partnerships and new sustainability reporting.
3. Encouraging and Incentivizing Bottom-Up Inclusive Regional Solutions: developing bottom-up incentives through large competitions and stock-taking of community-based solutions to social dislocation.
4. Large-Scale Investment in Infrastructure: recommending a globally coordinated effort toward mobilizing leveraged investment in sustainable infrastructure programs that remove bottlenecks to growth. This would involve new investment frameworks, a new approach to project financing, increased transparency, and new ways of bundling and coordinating.
5. Green financing, including creative ways to accelerate the spread of carbon pricing.
6. Protecting and Enlarging the Common Gains from Trade, with a detailed action plan.
7. Continued commitment to international financial reforms to avoid repeating the 2008 global financial crisis.

The V20 discussed other long-term initiatives that will be crucial to steer global governance toward a more stable and effective structure but recognized that they could not yet be advanced in 2017.

## Conclusion

The G20 process is a key global innovation that helped systematically important countries and intergovernmental institutions coordinate their responses to the global financial crisis of 2008. The G20 has acted as a crisis committee and as a steering committee in the longer term to avoid destructive zero-sum behavior among systematically important countries. Since 2011, the G20 has settled into a more routinized process, where agenda items are often technical and best geared toward solving low to mid-level functional requirements. Individuals, scholars, and institutions pushed for a more ambitious G20 concept. However, domestic political constraints in key countries (beginning with the United States) led leaders to limit the G20 in the last few years largely to mid-level and technical roles.

As a result, the G20 has remained unable to fulfill the greater needs of collaborative global governance leadership and to deal with the large-scale global challenges that are now threatening the global liberal order. With its balanced membership, fluid and informal nature, and increasing inclusiveness through various deliberative avenues, the G20 has proved its ability to bring together developed countries and rising powers in a way that no other institution has been able to. Most host countries have shown great commitment in leading the G20 and have all brought significant new ideas to the fold. The G20 has led to significant innovations and has generated countless new ideas, even if the majority of such ideas do not pass the gauntlet of

domestic politics in key countries. The United States has continued to remain ambivalent toward the G20, preferring to hold on to unilateral leadership whenever possible. This ambivalence—or even direct opposition in 2017—has proven to be the G20’s greatest weakness.

In 2016 and 2017, the Vision 20 experiment has demonstrated how the G20 platform could be used as a forum for innovation in global governance to address the most serious global challenges and as a laboratory for dialog among scholars, policy makers, and other stakeholders across developed and developing countries. As long as such a dialog exists and generates common ideas, the global system will avoid the global order collapses seen in 1914 or the 1930s. The V20, also, has shown how the G20 could transcend short-term technical bargaining within a narrow confine and actually help humanity cooperate in solving major systemic challenges. Much works lie ahead to build on this “kernel of innovation.”

## Works Cited

- Alexander, Kern, Rahul Dhumale, and John Eatwell. 2006. *Global Governance of Financial Systems: The International Regulation of Systemic Risk*. New York, NY: Oxford University Press.
- Alexandroff, Alan, and John Kirton. 2010. The “Great Recession” and the Emergence of the G-20 Leaders’ Summit. In *Rising States, Rising Institutions: Challenges for Global Governance*, eds. Alan S. Alexandroff and Andrew Fenton Cooper, 177–95. Washington, DC: Brookings Institution Press.
- Barrett, Scott. 2007. *Why Cooperate?: The Incentive to Supply Global Public Goods*. New York, NY: Oxford University Press.
- Beck, Ulrich. 1999. *World Risk Society*. Cambridge, MA: Polity Press.
- Drezner, Daniel W. 2014. *The System Worked: How the World Stopped Another Great Depression*. Oxford, UK: Oxford University Press.
- Eichengreen, Barry J. 2015. *Hall of Mirrors: The Great Depression, the Great Recession, and the Uses- and Misuses- of History*. New York, NY: Oxford University Press.
- Guilly, Christophe. 2016. *Le Crépuscule De La France D’en-Haut*. Paris: Flammarion.
- Hale, Thomas, David Held, and Kevin Young. 2013. *Gridlock: Why Global Cooperation Is Failing When we Need it Most*. Cambridge, MA: Polity Press.
- Helleiner, Eric. 2014. *The Status Quo Crisis: Global Financial Governance After the 2008 Meltdown*. Oxford, UK: Oxford University Press.
- Ikenberry, G. John. 2011. *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order*. Princeton, NJ: Princeton University Press.
- Judis, John. 2016. The Populist Explosion: How the Great Recession Transformed American and European Politics. Columbia Global Reports, New York.
- Kaul, Inge, and United Nations Development Programme. 2003. *Providing Global Public Goods: Managing Globalization*. New York, NY: Oxford University Press.
- Kirshner, Jonathan. 2014. *American Power After the Financial Crisis*. Ithaca, NY: Cornell University Press.
- Kirton, John. 2013. *G20 Governance for a Globalized World*. Burlington, VT: Ashgate.
- Mahbubani, Kishore. 2013. *The Great Convergence: Asia, the West, and the Logic of One World*. New York, NY: Public Affairs.
- Mueller, Jan-Werner. 2016. *What Is Populism?* Philadelphia, PA: University of Pennsylvania Press.
- Sandler, Todd. 2004. *Global Collective Action*. Cambridge, UK: Cambridge University Press.
- Segal, Adam. 2016. *The Hacked World Order: How Nations Fight, Trade, Maneuver, and Manipulate in the Digital Age*. Washington, DC: Council on Foreign Relations.

- Spence, Michael. 2011. *The Next Convergence: The Future of Economic Growth in a Multispeed World*. New York, NY: Picador-Farrar, Strauss, and Giroux.
- Stern, Nicholas H. 2009. *The Global Deal: Climate Change and the Creation of a New Era of Progress and Prosperity*. 1st ed. New York, NY: Public Affairs.
- Stuenkel, Oliver. 2016. *Post Western World*. Cambridge, UK: Polity Press.
- Wagner, Gernot, and Martin Weitzman. 2015. *Climate Shock: The Economic Consequences of a Hotter Planet*. Princeton, NJ: Princeton University Press.
- West, Darrell. 2016. *Mega Change: Economic Disruption, Political Upheaval, and Social Strife in the 21st Century*. Washington, DC: Brookings Institution Press.