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**A Canadian Primer to the G20 Summit  
in Los Cabos, Mexico**

by Colin Robertson  
June, 2012



# POLICY PAPER

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**O**n Monday and Tuesday, the leaders of the major economic nations, their finance ministers and central bankers will meet to discuss global economic issues in Los Cabos, on the southern tip of Mexico's Baja California peninsula. The leaders will be accompanied by their personal advisors, or 'sherpas' as well as the usual entourage of paparazzi, pundits, and protesters of what is euphemistically known as 'civil' society. The Los Cabos summit will take place against the backdrop of the continuing euro-crisis, Sunday's Greek and Egyptian elections and continuing turmoil in Syria.

## **What is the G20?**

The G20, originally a meeting of finance ministers, their deputies and central bankers, was formed in 1999 in the wake of the Asian financial crisis. The member countries include the G8 nations: Canada, United States, Japan, France, Germany, Italy, United Kingdom and Russia as well as Argentina, Brazil, Mexico, Australia, China, India, Indonesia, Korea, Turkey, Saudi Arabia, and South Africa.

The heads of the International Monetary Fund and World Bank participate, as do the heads of the European Union and European Commission. In the previous G20 summits, the heads of government of the Netherlands and Spain have also participated.

Collectively, they account for over 80 per cent of world trade and world production. They began meeting at the head of government level in November 2008 when President Bush convened them in Washington to deal with the economic crisis. G20 leaders reconvened in London (April 2009), Pittsburgh (October 2009), Toronto (August 2010), Seoul (November 2010), Cannes (November 2011), and next year they will meet in Russia.

In advance of the meetings later this week, there was a G(irls)-20 summit, building on the first organized by Belinda Stronach in advance of the Toronto G-20 to discuss the Millennium Development goals.

## **Do we really need a G20?**

Yes. Getting the major nations' leadership together to discuss problems is a good idea. As Winston Churchill, who popularized the word 'summitry' observed, 'jaw-jaw' is better than 'war-war'. World leaders have met in various forums regularly since the Second World War.

Henry Kissinger has described 2009 as the year when the new world order began. The United States, arguably for the first time since the Second World War, was obliged to recognize that its economic strength was no longer sufficient to go it alone. The G-8 group of leaders, set up in 1975 to deal with an earlier economic crisis occasioned by a rise in oil prices, had become insufficiently representative of the major economic powers given the rise of China and India.

What does the summit want to achieve?

The "to do" list remains the same as last year: to resuscitate the global economy as it crawls forward to deficit control. After the biggest stimulus package in world history, recovery is still very uneven. There is division, especially since the election in May of French President François Hollande, about the emphasis on austerity and deficit containment as opposed to the need, once more, for additional stimulus to create growth.

The Eurozone crisis continues, with the Greek contagion now threatening Spain and Italy. José Manuel García-Margallo, Spain's foreign minister, has likened Europe to the Titanic and reminded his fellow Europeans "If there's a sinking here, even the first-class passengers drown."



Unfortunately in this situation, we are all Europeans and as the Bank of Canada warned last week:

“If the sovereign debt crisis in Europe continues to intensify, it would further weaken global economic growth and prompt a general retrenchment from risk. In turn, the weaker global outlook would fuel sovereign fiscal strains and impair the credit quality of loan portfolios. Together, these factors would increase the probability of an adverse shock to the income and wealth of Canadian households.”

## What else will be discussed?

There are the other continuing crises:

- How to achieve collective action to advance collective freer trade in the Doha Round, now the longest running trade negotiations.
- How to save the planet from climate change, although this discussion is effectively punted to the United Nations Conference on Sustainable Development (Rio Plus 20 summit) later in the week. Prime Minister Harper, US President Barack Obama and German Chancellor Angela Merkel have deputized their foreign ministers or environment ministers to represent them.
- How to keep the increasing millions of mouths fed, watered and free of pandemics. Around a billion people around the world suffer from hunger. Development assistance from the once ‘rich’ to poor nations declined last year for the first time in a decade. The 2011 Global Hunger Index concludes that more than 50 countries were experiencing “extremely alarming,” “alarming,” or “serious” levels of hunger. Sub-Saharan Africa and South Asia continue to be hunger hot spots and it is not just the developing countries that face food issues. ActionAid USA found that augmented corn production in the US for biofuel led to a rapid increase in food import prices in Mexico. “Between 2005 and 2011, the tortilla prices rose by nearly 70 percent. Since 2005, the increase in ethanol fuel usage in the US has resulted in up to \$500 million in corn price rises in Mexico each year.”
- How to contain terrorism and crime, with the Mexican hosts certainly able to provide first-hand examples on the problems of drugs, guns and human trafficking.
- How to prevent everything going up in a nuclear cloud. Half a world away, the P5 (permanent members of the UN Security Council – USA, France, United Kingdom, China, Russia) and Germany will be meeting in Moscow in another encounter with Iran in an effort to contain its nuclear ambitions. Further sanctions are to be applied to Iran on July 1.
- President Obama has said that nuclear proliferation is the one issue that keeps him awake at night and Iran and North Korea will continue to be the focus of attention. A second nuclear security summit was hosted by South Korea in Seoul earlier this year, as a follow up to the 2009 conference hosted by President Obama. Earlier this month, the UN Security Council voted to impose new sanctions that target Iranian banks suspected of connections with nuclear or missile programs, expand the arms embargo, and call for a cargo inspection regime.

## What are the Canadian interests?

With half of our production destined for trade, our prosperity depends on a healthy world economy. As Harvard economist Ken Rogoff recently told Global TV’s Tom Clark on West Block, Canada would not escape a global recession.



On the big issue – a gameplan for European recovery, Prime Minister Harper and Finance Minister Jim Flaherty will underline Canada's commitment to fiscal discipline and structural reforms to employment insurance and pensions as well as an aggressive expansion of trading opportunities.

"Canada's message at the G20 summit", Mr. Harper told the Conference de Montréal last week, "is that economic growth and fiscal discipline are not mutually exclusive; they go hand in hand." In his speech earlier this year at Davos, Mr. Harper spelled out the Canadian perspective:

"As I look around the world, as I look particularly at developed countries, I ask whether the creation of economic growth, and therefore jobs, really is the number one policy priority everywhere? Or is it the case that in the developed world too many of us have in fact become complacent about our prosperity, taking our wealth as a given, assuming it is somehow the natural order of things, leaving us instead to focus primarily on our services and entitlements? Western nations, in particular, face a choice of whether to create the conditions for growth and prosperity, or to risk long-term economic decline and, as we all know, both from the global crises of the past few years and from past experience in our own countries, easy choices now mean fewer choices later."

For these reasons, and because of the correct belief that Europeans have the capacity, if they have the collective will to resolve their situation, Canada (and the USA) will not participate in the most recent IMF bailout for Europeans. Canada's fiscal deficit is about 1.5% of gross domestic product. The Government is aiming to balance its budget by the 2015-16 fiscal year. As Finance Minister Flaherty put it last week, "You're not going to have economic growth unless there's market confidence. You're not going to have market confidence unless you have a solid fiscal plan that's credible and believable by the markets. And that's where we have been encouraging our European colleagues to go."

For Prime Minister Harper, it is another opportunity to press President Obama on our application to the Trans Pacific Partnership now under negotiation among the United States, Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore and Vietnam. Japan and Mexico are also seeking admission to the negotiations. The Canada-Europe Trade Agreement (CETA) is in the final stages of negotiation and this is an occasion for discussions with the European leaders.

### **Canada, the G20 and our ability to 'play at the top table'**

The G20 owes much to Canadian engineering. As Finance Minister in the Chretien government, Paul Martin recognized that western dominance of the international economy would not endure so he brought together his counterpart finance ministers in the emerging economies. It was smart public policy that also served the national interest. In any future recalculation of the biggest economic powers we would lose our seat, so better to create a bigger forum that recognized the current realities.

We belong to most of the multilateral clubs, including two in which the US is not a member – the Francophonie and Commonwealth. At our best we are informed, a constructive conscience, consensual and acting especially as a bridge between developed and developing nations, and coming up with useful initiatives – thus, for example, the Kananaskis Action Plan on Africa (2002).



In terms of international power dynamics, we have moved in a generation from the bipolarity that characterized the post-World War II period to the unipolarity of the 1990s and now, a new era of multipolarity. Migration has made us a people of many nations and our pluralism is the envy of the world.

Our place at the top tables owes much to our relationship with the United States (it was Gerald Ford and Henry Kissinger who ensured that we were admitted to the original G7). History, geographic propinquity, economic integration and culture give us a unique appreciation of Uncle Sam. The US is still the paramount world power and has demonstrated remarkable resiliency in times of crisis.

When we fail to appreciate this privileged position and act as a scold and nag, or ‘stern voice of the daughter of God’ in the descriptive words of former US Secretary of State Dean Acheson (whose mother was Canadian), we reduce ourselves to irrelevance.

But when we play our hand well, drawing on our capacity as ‘interpreter’ of the US to the rest and of the rest to the US, we leverage our place and increase our standing. It is something every prime minister since Mackenzie King has come to learn if not always practice. Heading into Los Cabos, Mr. Harper struck the right tone for the G-20 when he told the audience at last week’s Conference de Montréal, “As Canadians neither are we able nor do we desire to impose our views on the world. But Canada can demonstrate, through our actions, a model that works”.

## ► About the Author

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**Colin Robertson** is Senior Strategic Advisor for the US-based law firm of McKenna, Long and Aldridge. He writes on international affairs and is a frequent contributor and commentator on CTV, CBC and CPAC.

He is current President of the Canadian International Council's National Capital Branch. Mr. Robertson sits on the board of the Conference of Defence Associations Institute, Canada World Youth and he is honorary chair of the Canada Arizona Business Council. He is a Distinguished Senior Fellow at the Norman Paterson School of International Affairs.

A career foreign service officer from 1977-2010, Colin Robertson served as first Head of the Advocacy Secretary at the Canadian Embassy in Washington and Consul General in Los Angeles, with previous assignments in Hong Kong and in New York at the UN and Consulate General. In his final assignment he directed a project on Canada-US Engagement at Carleton University's Centre for Trade Policy and Law with private and public sector support. A member of the team that negotiated the Canada-US FTA and NAFTA, he is co-author of *Decision at Midnight: The Inside Story of the Canada-US FTA*.

He is a former President of the Historica Foundation. He was editor of *bout de papier: Canada's Journal of Foreign Service and Diplomacy* and President of the Professional Association of Foreign Service Officers. He has taught at Carleton University and the Canadian School of Public Service.

He indicates that his smartest decision was marrying his wife Maureen Boyd, a Vancouverite, former journalist and author. They have three children, Allison, Sean and Conor. Robertson reads voraciously, runs slowly, swims, cycles, and cross-country skis.



## ► **Canadian Defence & Foreign Affairs Institute**

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CDFAI was created to address the ongoing discrepancy between what Canadians need to know about Canadian international activities and what they do know. Historically, Canadians tend to think of foreign policy – if they think of it at all – as a matter of trade and markets. They are unaware of the importance of Canada engaging diplomatically, militarily, and with international aid in the ongoing struggle to maintain a world that is friendly to the free flow of goods, services, people and ideas across borders and the spread of human rights. They are largely unaware of the connection between a prosperous and free Canada and a world of globalization and liberal internationalism.

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