Reflections on the G20 and the Crisis of Global Economic Governance

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Having returned recently from civil society activities that took place around the G20 summit in Cannes France, I find myself trying to sort out a series of impressions and strategic questions about the future directions of civil society and social movements on matters of global economy and democratic governance.

To be sure, the first week of November in Cannes was, to say the least, bizarre. As the G20 summiteers arrived in the splendor of the Cote d’Azur, the euro-zone crisis seemed to be under control. The EU debt relief and austerity package worked out by Germany and France days before to prevent Greece’s bankruptcy, was about to go into effect. Then the Greek Prime Minister suddenly announced that he would allow the Greek people to decide in a referendum on whether they would accept or reject the EU debt and austerity package. In response, the markets in Europe and around the world went into a free fall which, in effect, compelled the prime minister of Greece to withdraw his referendum proposal that would have allowed Grecians to exercise their democratic right to decide their economic future. In the midst of all of this the rest of the G20 sat on the sidelines watching this Euro drama unfold.

At the same time, civil society groups and social movements from all over Europe and other regions of the world were meeting a few kilometers away in Nice. We were separated from the G20 summiteers by a thick wall of police and military that was at least 10,000 strong. Nevertheless, the ‘peoples’ forum’ in Nice conducted numerous workshops on topics ranging from the G20’s agenda on global finance regulation and policy initiatives like the proposed financial transaction tax, to the climate and environmental crisis, food speculation and land grabs, and the role of the G20 in global economic governance. Near the end, a global assembly on future directions began the process of making the links between the G20 in Cannes to other major events such as the COP 17 in Durban on climate change, the Rio+20 Earth Summit in Rio de Janeiro, and the next G20 in Mexico --- potentially around a new common agenda having to do with ‘system change.’

G20 Game Plan

In retrospect, the recently constituted G20 leaders summit came into being just over three years ago, largely in response to the global financial meltdown of 2008. In effect, the G20 was to replace the G8 which had lost much of its political legitimacy to carry on the role of governing the global economy. Yet, the addition of 12 more national governments and their economies to this august body was not primarily for reasons of achieving a more politically balanced mix of developed and developing countries. The simple fact is that the G8 no longer has the foreign exchange reserves needed to respond
effectively to financial crises on the horizon. Countries like China, and to a lesser extent India, South Korea, Brazil and other developing countries now hold most of the world’s foreign exchange reserves. Since the initial gathering of the G20 in August, 2008, there have been summits in London and Pittsburgh in 2009, Toronto and Seoul in 2010, and Cannes in 2011. It was in the Pittsburgh summit that the main work plan for the G20 was proposed and adopted. It was here that they specifically assumed the mandate of governance and management with respect to the global economy and proceeded to adopt a broad and ambitious program of priorities. These included: the global financial meltdown, the continuing economic recession, the challenges of climate change, tax evasion problems and tax havens, the reform of international financial institutions, the millennium development goals, and international trade and labour issues.

Yet, so far, the G20 track record in making progress on this agenda has been anything but impressive. How to deal with the continuing financial crisis, sovereign debt and the banking system has dominated the agenda of all the summits to date. However, the neo-liberal solutions and institutional remedies applied are essentially the same ones that caused the crises in the first place. Moreover, the prescriptions are being applied in a haphazard rather than consistent manner. In Washington DC in 2008, there was general agreement to promote economic stimulus measures but two years later, in Toronto, the strategy changed to adopt economic austerity measures in order to curtail burgeoning sovereign debt problems. Although global pronouncements are made, delivery back home has been inconsistent.

G20 Falters in Cannes

As host, French president Nicolas Sarkozy came forward with an ambitious agenda, motivated in no small part by the fact that he is facing a tough battle for reelection and wants to show leadership on the world stage. Sarkozy’s original plan included action on food speculation, tax havens, IMF reforms, and a financial transaction tax [FTT]. In the months leading up to the Cannes summit, however, Sarkozy’s agenda was thrown off balance by the prospects of Greece facing bankruptcy and what became known as a growing euro-zone crisis. While France and Germany scrambled to come up with a bailout package for Greece, it was clear that economies were faltering and sovereign debts rising in other European countries like Italy, Portugal, Ireland and Spain. As a result, the threat of a recurring or double-dip global economic recession preoccupied the G20 summiteers in Cannes, forestalling again much needed action on other items of global economic governance.

Indeed, the Greek turmoil and the euro-zone crisis proved to be too hot for the G20 to handle effectively. The G20 Communiqué coming out of Cannes contained little in the way of prescriptions for restoring financial stability but, instead, left a deregulated financial system in place. Little or no commitments were made to restructure the international monetary system which remained unchanged. Moreover, The Cannes action plan for creating growth and jobs promised nothing that countries were not already committed to do. And, somewhat surprisingly, the G20 leaders virtually pulled the plug on the Doha Round of global trade negotiations at the WTO. While reaffirming the mandate of the Doha Development Round, the G20 summiteers declared “...it is clear that we will not complete the DDA if we
continue to conduct negotiations as we have in the past.” Instead, new, “fresh, credible approaches” are needed. If anything, the Cannes Summit raises questions about the efficacy of the G20 to bring about global financial stability let alone manage effectively the multiple crises that plague the global economy today. A former senior official at the International Monetary Fund, Professor Eswar Prasad of Cornell University, was quoted in *The Financial Times* saying: “Rather than provide new ideas to promote global financial stability, the G20 has offered grandiose but vague promises for the future and a series of short term fixes that are hostage to political circumstances in individual countries.” With vague promises and meager results, says Prasad, the G20 is likely to become increasingly irrelevant. “We are left with a tumultuous world economy at the brink of disaster or at least prolonged stagnation and vulnerability.”

**Structural Crises**

Yet, there are much deeper dimensions to the problem and challenge at hand. This crisis is not simply one of global economic governance and management. More fundamentally, the crisis has to do with the economic model itself. As long as the G20 leaders refuse to tackle the global financial system and reregulate it, there is little chance of not having a series of financial meltdowns in the future. Unless the mandates and operations of international financial institutions like the IMF and World Bank are completely overhauled, they will continue contributing to, rather than resolving financial and economic problems in the long run. What the G20 leaders have tended to do is to overlook the structural problems that plague the global economy itself. Deep down, it is the economic model itself that is broken and ailing. Improving the efficiency of managing and governing the global economy alone will not be sufficient.

Ironically, by looking more closely at some of the other dimensions of the multiple global crises which the G20 mandated itself to address, we see more clearly the extent to which the prevailing economic model is no longer sustainable. Take, for example, the climate change challenge. The climate clock is ticking and the longer we delay serious action the more costly it will be economically [note the Stern Report]. An economic model that is primarily designed to increase industrial and economic growth is no solution to the looming climate crisis. If, as societies, we are going to avert the calamities of climate change in the next few decades, then we are going to have to make the transition from our dependence on carbon emitting fossil fuels to clean renewable sources of energy. Doing so will require profound changes in our models of production and consumption. Similarly, a major overhaul of our economic system will be needed if we are going to address the pressing problems of poverty and increasing social inequalities.

In turn, the crisis of the economic model and the corresponding call for system change is further magnified by the problems of democratic governance. While the shift from the G8 to the G20 may appear to be more inclusive, the G20 exhibits the same basic problem in that it excludes the remaining 172 countries from governance regarding the global economy. These problems of exclusion become even more acute when it is recognized that big business has been granted space inside the G20 tent. While there has been business participation in one form or another in all of the G20 summits, the B20
was formally launched in Seoul with several hundred CEOs of corporations accredited. With the B20 breathing down their necks, there should be little surprise that the G20 has been reluctant to abandon ineffective neo-liberal solutions, let alone recognize that the economic model is broken. Meanwhile, civil society organizations and social movements are formally excluded from any real participation in the G20 proceedings.

**Civil Society Rallies**

Meanwhile, some 35 kilometers away from Cannes, thousands of civil society activists assembled in Nice for two days of workshop discussions and debates about global environment, economic and political issues. Over 10,000 police officers had been deployed in both Cannes and Nice to keep activists at bay and contain any civil society mobilizations. Two days before the Cannes Summit, some 12,000 people participated in a peaceful march through the streets of Nice, which included side shows with clowns creating an atmosphere of humour. As the march passed through the poorer neighbourhoods of Nice, hundreds of residents waved and cheered from the balconies of their apartments. Cannes itself had been turned into a military encampment with police and soldiers patrolling the streets and security checkpoints everywhere.

In the past three years, the G20 has emerged as a target for action by civil society groups engaged in resistance against corporate driven globalization. Global networks like Our World Is Not For Sale [OWINFS] have played an active role in facilitating the participation of civil society groups and social movements in organizing counter summit activities. Accordingly, the G20 summits held in London and Pittsburgh in 2009, plus Toronto and Seoul in 2010, provided occasions for staging regional mobilizations and rebuilding regional movements against corporate globalization. As a result, each has taken on a distinct regional character. One of the unique characteristics of the civil society activities in Cannes/Nice was the presence of representatives from emerging mass social movements like the Arab Spring, Occupy Wall Street, and the Indignatos from Spain. Together, this added a new dynamic and vitality to the Nice assembly that largely involved NGOs and social movements from France, other European countries, Latin America and elsewhere.

One of the most important achievements of the civil society counter summit in Nice was the common recognition of the need for a convergence of issues, priorities, and organizing by civil society on an international level. In both the environment assembly and the global assembly organized as part of the alternative forum in Nice, there seemed to be considerable interest in working towards the development of a common agenda for challenging the economic and political elites of globalization. While there was no draft platform, statement or program put forward along these lines, there was considerable interest expressed in support of ideas to make links between several key events on the horizon, namely, the next round of global climate negotiations in Durban [early December 2011], the World Water Forum in Marseilles [March 2012] the Rio+20 Earth Summit in Rio de Janeiro [June 2012] and the next G20 summit in Mexico [November 2012].
System Change

In many ways, the common target identified in the civil society discussions in Nice focused on the economic model itself. For a large number of Nice participants, the economic model was synonymous with the prevailing system of capitalism. Whichever terms are used to label this common target, it boils down to a model of the economy based on increasing growth and the profit motive. For most civil society and social movements today, this economic model has proven itself to be unjust, unsustainable, and undemocratic. Moreover, one of the common threads that surfaced during the Nice discussions was the recognition that people and the planet are increasingly held hostage to an economic system in which the dictatorship of capital, investment and markets reign. This was especially clear for the emerging social movements present such as the Arab Spring, Occupy Wall Street and the Indignados.

In Nice, all of this seemed to point to a clarion call for ‘system change’ --- a term coined by the climate justice movement in Copenhagen two years ago with the slogan “not climate change but system change.” This is based on a growing understanding that the various pieces of the multiple crises that characterize the global disorder of our times --- financial, economic, climate, food, environment, poverty etc --- are interrelated and interdependent. One cannot be satisfactorily resolved without resolving the others. What lies at the heart of these global and domestic crises is the economic system itself. Transforming the economic model and system is the common challenge of our times. This seemed to be the new or renewed consciousness emerging from the civil society discussions in Nice around the G20. While no clear statement or plan of action was brought forward for discussion and consensus, ‘system change’ certainly seemed to resonate as a clarion call.

As indicated above, there was also some mapping of key events and the importance of emphasizing convergence between events. For the foreseeable future, the mapping that was done focused on the Earth Summit to be held in Rio de Janeiro in June, 2012. The Civil Society Facilitating Committee for Rio+20 will be making an international call out soon, urging groups and movements to participate in various planning activities being organized. This includes a session during the alternative forum in Durban at the COP 17 in early December, a three day organizing assembly during the World Social Forum in Porto Alegre in late January 2012, and the peoples’ alternative forum held during World Water Forum in Marseilles in mid March 2012. In the Nice strategy discussions, the hope was expressed that these separate events could begin to converge around a common theme like system change. Ideally, a common platform and strategy for system change would come out of these events as the focal point for mass mobilization in Rio and perhaps at the G20 in Mexico, both at the end of June 2012.

Conclusions:

In closing, these are some initial reflections arising out of the various activities that took place in conjunction with the latest G2 summit. Indeed, the G20 Summit in Cannes may well serve to mark a moment in time when the world seemed to turn upside down. In particular, this was vividly illustrated by two incidents which, in retrospect, have some profound implications for both the model of the global economy and democratic governance.
The first occurred during the Summit when euro-zone leaders turned to China and asked for financial support that appeared to be something resembling foreign aid assistance. In response, Li Daokui, an advisor to China’s central bank, reportedly told the G20 leaders: “You are the rich, you borrow money from the poor.” He went on to admonish them saying: “It’s not right for you to continue to lead a luxurious life.” While Li Daokui’s comments were largely ignored by the media, they were highly poignant. After all, not only was the G20 formed in part because it was the new emerging economies, rather than the industrialized economies, that had the foreign exchange reserves required to get out of the 2008 financial crisis, but also the luxurious lifestyle of the industrialized economies is simply no longer sustainable.

The second occurred in the immediate aftermath of the G20 Summit when the elected prime ministers of both Greece and Italy resigned their positions and handed over power to so-called ‘technocratic’ governments. Even though both Greek Prime Minister George Papandreou and Italian Prime Minister Silvio Berlusconi were elected comfortably in parliamentary polls and were never defeated by any parliamentary vote of confidence, and regardless of how poorly they may have fared in office, they were both ousted and replaced by unelected ex-central bankers and former executives of hedge funds and investment banks. In effect, it is financiers who will rule directly over the lives of the Italian and Greek people, imposing austerity medicine in order to calm and stabilize international money markets. While these moves may achieve greater stability in global markets, they set a dangerous precedent for the future of democratic governance in the global economy.

These developments deserve much closer scrutiny by civil society groups between now and the next G20 in Mexico.