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Middle Power Leadership and the Evolution of the G20

Andrew F. Cooper, University of Waterloo

Jongryn Mo, Yonsei University

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HILLS GOVERNANCE CENTER AT YONSEI

262 Seongsanno, Seodaemoon-gu

Seoul 120-749, Korea

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Andrew F. Cooper is Professor of Political Science at the University of Waterloo, and Distinguished Fellow at the Centre for International Governance Innovation. Jongryn Mo is Professor of International Political Economy and Executive Director of Hills Governance Center, at Graduate School of International Studies, Yonsei University and a research fellow at Hoover Institution, Stanford University.

The re-shaping of the global politics with the emergence of new global challenges and actors are shaking the norms, rules and processes of the post-World War II multilateral system. As laid out in an increasingly rich body of literature, the global hierarchy in state-centric terms has been transformed in the early part of the 21st century (Alexandroff and Cooper, 2010; National Intelligence Council, 2004; Subacchi, 2008). The ascent of China, Brazil and India, viewed both individually and collectively as part of a constellation of BRICs, has served to address imbalances both in the established international architecture and the dynamics of globalization more generally, structures which up until now have mainly reflected the greater influence of traditionally powerful states in the core regions of the US-led trilateral world, North America, Europe and Japan. At both the systemic and national level, these tendencies are commonly depicted as game changers marking a fundamental break with the past.

This image of rupture is heightened by a number of other conceptual and practical trends. Although there is renewed controversy about the extent of the U.S.'s decline (Brooks and Wohlforth, 2008; Layne, 2009), the implications of a waning hegemony for sources of international leadership must be recognized and built into any analysis of the evolution in the international system. Rather than being able to "lay down the law" as it has done throughout the post-1945 era, the US must negotiate and bargain. The system itself is not only more pluralistic but un-likeminded at the top tier of the hierarchy. The traditional "pyramid" model of decision-making in international organizations and multilateral negotiations where a small number of "club" insiders as located in the IMF's Executive Board and standing committees or the GATT's "Quad" first make decisions among themselves and then impose them on the rest has weakened or no longer apply at all (Cooper, Higgott, and Nossal, 1993; Keohane and Nye, 2000). Emerging states –and to some extent transnational non-state groups - whose cooperation is essential to solving a growing number of global issues simply would not accept such a unilateral decision-making norm.

Moreover, global institutions are showing some signs of adapting to these changes in the global power balance though the process may be awkward and problematic. While United Nations Security Council reform has continued to be fraught with difficulties, the G20 finance has been transformed into a forum at the leaders level. The 2008 financial crisis acted as a catalyst in this transition, galvanizing an impressive degree of collective action at the apex of the system. In a break from past economic crises, such as in the 1930s or early 1980s, when countries did not cooperate to ward off the deepening economic threat, this financial crisis saw a wide number of pivotal countries acting together utilizing a crisis committee style process.

The re-conceptualization of global governance and the role of middle powers

Recognition of these basic shifts in the site and structure of global goverance, however, leaves moot the question of what the motivation and means of agency is in the new construct. Systematically, the financial crisis of 2008 has enhanced the position of selective multilateralism as the global main game, with some momentum towards thicker, although still domain-restricted, modes of governance. Nonetheless, a serious interrogation must be conducted around questions of why, how, and to what degree, countries in this pluralistic design are committed to this form of reconfigured multilateralism.

Puzzles abound also about the re-conceptualization of global governance generally and the question of the constituent actors included at the core of these developments more specifically. If global affairs are moving towards an accentuated form of multipolarity, in which power coalesces around a small number of dominant poles (US/European Union/rising states from the global South), then the perception of the G20 as a concert of powers is accentuated (Aslund, 2009). Such a perception is consistent with past eras in which a group of big dominant countries would come together at the time of decisive ruptures, as witnessed in 1814/15, 1919, and 1945.

Through such a lens it is a set of big merging countries that commonly move from being outsiders to insiders in the system. To be sure, this adjustment was true of the U.S.'s own move from non-involvement to commitment to international institutions from the end of World War 1 to World War 11. Still, the intensity of the shift is far more pronounced in the case of the emerging or rising states of the 21st century. In the 1970s and 1980s the diplomatic activities of India, Brazil and to a certain extent China (which enjoyed privileges of its own due to its UN P5 status) was heavily weighted towards the G77/NAM/UNCTAD as part of Third World collective solidarity. This focus was on the projection of an oppositional, or even counter-hegemonic, framework with the aim of transforming the system.

The established powers were challenged due explicitly to their privileged role in systemic terms, as expressed in their veto status inside the UN, the directorate role assumed by the G7/8, the longstanding debate over votes and shares in the International Financial Institutions, and the existence of exclusive small groups such as the “Quad” and “green door” process through the GATT.

Attempts to negotiate around these differences (and images of bias in the system) met with repeated failure. The classic case of this dilemma was the Cancun conference of the early 1980s, a creative attempt to break out of the North/South standoff inspired by the Brandt Commission report under the leadership of Mexico, Canada and Austria.

Notwithstanding these signs of commonality with past eras, though, there are other scenarios that point to a very distinctive alternatively framed environment. At odds with the impression of a new concert of powers is the relatively large number of countries involved in the G20, both the late 1990s with the establishment of the G20 Finance and in the elevated G20 at the leaders level. In the 1814/15 the concert was made up of 5 core countries – Britain, Prussia, Russia and Austria plus France. Although other countries participated, unlike at the G20, there was no illusion of equality. The same basic formulae was utilized at the 1919 Paris Treaty negotiations, where there was a big 4, or arguably a Big 3 with the UK, the US and France. Moreover, in similar fashion, there was a Big 3 at Yalta and Potsdam, although of course 5 countries received permanent veto-bearing seats at the UN

By way of contrast the members of the G20 are quite numerous and diverse. There is neither the image of allies/victors in war. Nor is there the sense of ideological uniformity or anti-revolutionary ethos. In the G20, as the hub of the new order, there are countries from every quadrant of the globe plus some implicit regional representation.

Under such conditions there is space for different – although perhaps not mutually exclusive - components to form with the G20 at the leaders level. As rehearsed, most of the attention here focuses on the interaction between the established G8 and the rising BRICs group. What provides the BRICs with its distinct character is the impressive economic performance by the entire cluster of countries that can be considered emerging or rising states. All of the so-called BRIC countries - Brazil, Russia, India and China - have their annual GDP over $1 trillion dollars each.

Yet, beyond the core trilateral G8 countries and the BRICs is another potential component within the G20. On the one hand, there are traditional middle states such as Canada and Australia that belong to the G20, with Canada also belonging to the G8. On the other hand, there are non-traditional middle powers, notably South Korea. There are also straddling countries such as Indonesia, South Africa, Mexico, Turkey and to some extent Argentina that display some specific but not consistently conceptualized or applied middle power ingredients.

The core objective of this paper is to analyze how such middle powers are situated and operate in the pluralistic space located in the world order. As already mooted, an argument can be made that the process of transition offers significant opportunities for the advancement of the foreign policy of middle powers if they can apply their national strengths such as diversity, innovation, openness and connectedness to specific global problems. At the same time, middle powers face the reality that their voices may be diluted as leadership groups in international organizations enlarge their membership and expand their inclusive consultation mechanisms. Outside of the G20, the inter-governmental component of middle power diplomacy has been squeezed in a variety of ways. In the International Monetary Fund (IMF), middle powers are facing pressure to re-calibrate votes and shares as well as their leadership of established constituency groups. Success for middle states in the competition for United Nations (UN) Security Council non-permanent seats can no longer be taken for granted, as illustrated by Canada’s 2010 loss to Portugal (Stairs, 2010), or Australia's tough campaign against Luxembourg in 2012.

There are also a host of definitional puzzles associated with the middle power concept. As Gareth Evans, the former Australian foreign minister, has put it in a recent address, "trying to define middle powers with any precision, and coming up with a list of, say, twenty or thirty or maybe more countries that would command universal acceptance as such, is an exercise fraught with peril. Objective criteria like GDP, population size, physical size and military capability can be no more than starting points. For example, Australia, which would be on everyone's list, ranks only 50th in the world on population size, although it is 13th on GDP" (Evans, 2011).

Aside from the core group of countries, Canada and Australia, where the concept is commonly used, there is some ambivalence in embracing middlepowerism. Even the South Korean government has not yet officially embraced the idea of middle power officially, South Korea is increasingly considered as a middle power because of a combination of objective criteria and subjective perceptions, that is to say, as a newly developed country whose size and position in multilateral diplomacy are comparable to those of Canada and Australia. As noted, others in this category are Indonesia, Turkey, Mexico and possibly South Africa (notwithstanding its shift to the BRICs) and Argentina.

Yet, despite these conceptual and practical difficulties, the middle power concept has taken on new meaning in the context of the G20. Such a revitalization fits neatly with the notion *pace* Cox that "the middle-power role is not a fixed universal" but a concept and set of practices that continually evolve in search of different forms of actorness (Cox, 1996). Rather than being a mode of conceptualization that reinforces the sense of continuity in global politics, the middle power model provides an accessible window of change. As in previous moments of transition (Ikenberry, 2001), in the post-1945 (UN/IMF/World Bank), post-1975 (G5/7), and post-1989 (G8/WTO) eras, it is the institutional aspirations and modalities of the middle states that need to be showcased. Yet the middle state model can no longer be interpreted in strictly inter-governmental terms. A distinctive feature of the middle state model in the 21st century is its embrace of multi-layered, network components.

The importance of the concept and practice of middle powers cannot be divorced from the identity dilemma present in many of these countries regarding their location in the world. However, the push does not come only by design but by default. The big rising states or BRICs have exhibited a willingness to work within ascendant multilateral mechanisms as a means of status-enhancement. However, it is still unclear the extent to which they want to embrace this institutional main game as opposed to national self-insurance and/or alternative global/regional institutional options in which they have more autonomy (Barma, Ratner and Weber, 2007). Put another way, it is unclear whether the preference of rising states from the global South is to work through core inter-governmental forums or to utilize other parallel forms of international co-ordination. One argument points towards the emergence of "an ambiguous new order…in which multilateral institutions…have only a limited role to play alongside emerging national and regional strategies" (Woods, 2010).

Other analysts highlight the salience of hedging as a diplomatic strategy adopted by the rising powers in general, and used by China in particular. The G20 is deemed an advance as a "transitional mechanism" in global economic governance (Chin, 2010: 118). However, rather than taking a comprehensive managerial role in re-shaping the global system, the G20 has adopted a selective approach: going along with some G20 initiatives in a number of issue-specific domains, but resisting in other areas on grounds of national interest.

Some observers consider the European Union to be another rising power (albeit one that should be differentiated from the rising states from the global South) in an embedded multipolar world where influence can be exerted not only through great power politics but also through persuasion and soft power (Vasconcelos, 2009). With the onset of the financial crisis, however, this view has been severely reassessed. Instead of addressing the sources of economic vulnerability through a deepening of a common European framework, the dominant trend in the EU has instead been towards attempts at re-nationalization in policy responses. This onus on self-help has been evident not only by the EU 4 (Germany, the UK, France, and

Italy) but by middle and small states.

A valuable starting point for a deeper analysis are the set of questions that Nye (2011) raises: how power has evolved since the end of the Cold War, what assets and strategies determine effective influence in a globalized and democratized world, and what types of influence work well in which issue areas and regimes. Middle power activism has been quite clearly been re-located and revitalized by the transformation of global governance through the creation of the G20 at the leaders level in November 2008. Fixated as it has been on the unipolar versus multi-polarity debate at the apex of power, current research has done little to trace how the layer of secondary states has adapted operationally to this new form of selective multilateralism. Rather than closing off such contingent components, the G20 has amplified them. Gaps have opened up beyond the North/South divide associated with the late 20th century, with the G20 process featuring a myriad of cross-cutting cleavages on issues relating to modes of financial regulation, stimulus versus fiscal restraint, bank levies, exchange rate and monetary policy, and global imbalances.

Put another way, power now is a more diffuse, smarter, and asymmetric concept. A country's ability to project power is powerfully influenced by how others perceive its legitimacy and credibility, which the global communications revolution has rendered vulnerable and volatile. A state can also leverage its influence based on the promotion of its assets. For instance, some countries derive influence form their innovation and strategic investment in knowledge and cultural industries such as South Korea. Canada's strategic investment over the years has increased her influence on global development issues through effective innovation and research (i.e., the work of International Development Research Center, IDRC, and support for private-sector global governance think tanks such as the Center for International Governance Innovation where one of the authors of this paper is a distinguished fellow).

In developing this extended argument, we make four points sequentially. First, the G20 Seoul Summit in November 2010 shows that the G20 is becoming increasingly embedded as the hub of economic global governance. Second, a strong

G20 has positive attributes for global governance. Third, a main driving force for the ascent of the G20 has been and will continue to be middle power leadership. This paper will concentrate on the role of Canada, Australia and South Korea but as mentioned above there is some considerable potential for an extension of this role to other countries. Fourth, the rise of middle powers in global governance reflects the changing nature of power as well as the changing structure of the international system. We conclude with some commentary on the sustainability of middle power leadership in the evolving pattern of global governance.

Is the G20 becoming embedded as the hub of economic governance?

At the November 2010 Seoul Summit, it became clear that the G20 was moving towards a firmer position as the hub of economic governance. Although the G8 continued to exist, and notwithstanding the formation of the BRICs, there was no serious debate about an alternative to the G20 as a leaders' forum for international economic cooperation. In September 2009 at Pittsburgh, G20 leaders designated the G20 to be the premier forum for international economic cooperation. At the Seoul Summit, the position of the G20 as the premier forum solidified. Grounds for this assessment are six-fold. First, the G7/8 is becoming a caucus within the G20, not an alternative to the G20. At the Gyeongju G20 Finance Ministers Meeting, G7 finance ministers met privately among themselves to coordinate their positions at the G20. Before the Seoul Summit, traditional defenders such as Japan and Italy – very conscious of their diminished role in a larger forum – expressed sentiments partial to a return to the G7/8 while others wanted to wait and see if the G20 would work.[1] After Seoul, it is much harder to find countries openly denying the privileged status of the G20.

Second, the G20 has emerged as the de facto board of directors for international financial institutions. The G20 gives mandates to international organizations such as the IMF and the Financial Stability Board and reviews reports that they submit in response to G20 requests. This arms-length relationship between

[1] See Cooper and Schrumm (2009) for an insight into the change of attitude to the G20 by the United States.

the G20 and international organizations has developed by design; many G20 countries, especially, emerging economies, are reluctant to grant a leading role to international organizations and prefer to use them as technical consultants. International organizations themselves actively seek to participate in the G20 process. To remain relevant, international organizations seem to realize that they must work with the G20. The OECD, for example, has worked hard to persuade the G20 to place anti-corruption on the G20 agenda. The United Nations also desires active participation in the G20 process. As the G20 has expanded its agenda the UN has endorsed the credo that the two institutions are different and complementary not competing and contradictory (Kim, 2010). Secretary General Ban has accepted de facto a subordinate role, in which he attends the G20 summit as the world's top civil servant but plays a secondary role to the leaders seated at the world's 'top table'. Significantly, this acceptance is witnessed through many points of connection, as witnessed by the UN's presence at the finance ministers meetings where important decisions are made in advance of the leaders meetings; until the Seoul Summit, the United Nations had been invited only to the leaders meetings.

Third, the G20 is gaining some momentum towards some form of institutionalization perhaps via its own secretariat or other means that would "provide institutional memory, continuity for monitoring and follow-up of commitments, as well as to support outreach and consultation" (Carin, 2010). French President Sarkozy, as the host of the 2011 G20 summit, has announced his plan to propose the establishment of a secretariat. Before the Seoul Summit, Korea, Britain and Australia were the only open supporters of a secretariat.

Fourth, the support for the G20 among member countries is getting stronger. Member countries now compete for the hosting of a G20 summit. For future summits in 2013 and 2014, Russia, Turkey and Australia are leading candidates. As the list of past and future hosts grows, the number of countries with strong ownership in the G20 will increase. Two G20 institutional features, the steering committee and the troika system, promote close cooperation among host countries. For the Seoul Summit, the steering committee of past and present hosts, namely, the United States, Britain, Canada and Korea was the main mechanism for ensuring the continuity of the G20 process. Starting in 2011, the troika system of the G20 finance ministers meeting will be formally restated. The 2011 troika will consist of Korea, France and Mexico.

Fifth, there is more interest in the G20 among the national publics. Given the technical nature of G20 issues and processes, it can easily become a leaders-only event, divorced from the everyday concerns and interests of national publics. The Center for International Governance Innovation (CIGI), which monitors the public perceptions of national leaders' performance at the G20, reports that "the fifth G-20 Summit held in Seoul seems to show signs of a gradual maturing of the process and the forum as a mechanism for communication among leaders and a means of connecting leaders and finance ministers with their national publics" (Bradford, 2010).

Sixth, the legitimacy gap in terms of non-members has been addressed if not perfectly at least on a more systematic basis (Cooper, 2010). Prior to the Seoul G20, the host moved quickly to embark on new forms of regional outreach – embracing ASEAN in particular. As his first destination, Dr Changyong Rhee, the Secretary-General of South Korea's Presidential Committee, visited the ASEAN Secretariat and smoothed any sensitivities through declarations that: "We are shaping the agenda as early as possible to include the views of ASEAN" (ASEAN, 2010).

Even more structurally advanced, South Africa has creatively and successfully implemented a stellar form of indirect representation via the regional 'Committee of Ten' finance ministers (or C10) and governors of central banks under the auspices of the African Development Bank, the Economic Commission for Africa and the African Union Commission. This enterprise, however, has been a risky endeavor. Not only did it expose South Africa's position as the one African member of the G20 to increased scrutiny, it stretched South Africa's resources.

Yet, despite these risks, this initiative has worked well. The scope of the membership for this committee is impressive – including as it does both some countries that sought membership (Egypt and Nigeria) in a reformed G8 themselves. Indeed, Egypt was embedded as the C10 vice-chair, in the ongoing process featuring another meeting in Washington DC on October 5 and 6, 2010 in the run-up to the Seoul G20 (C10, 2010; All Business, 2010). As a Chatham House report notes: “There is no guarantee that the C10 will survive or put down roots any more than the G20 will, but it may yet prove to be a quietly effective vehicle for ensuring Africa’s needs are heard, even when its individual countries are largely excluded from international discussions” (Cargill, 2010, p. 15).

Other smaller countries can receive at least partial and indirect representation in a clustered fashion. A crucial linking element here is the 3G group that, under the leadership of Singapore along with Switzerland and Qatar, has gained some credibility in its ability to perform this function. The inclusion of Singapore in the ‘G20 plus five’ format at the Korea summit solidified this approach (Rana, 2010) – a formula that is being repeated at the Cannes 2012 summit.

The growing strength of the G20 as a forum does not mean that G20 decisions are effective. In fact, it is easier to find G20 pessimists than optimists. Citing lack of progress on currency wars and macroeconomic imbalances, major international media expressed disappointment over the outcome of the Seoul Summit. The *Financial Times* went so far as to call the G20 an example of how not to run the world (*the Financial Times*, November 12, 2010). Academic skeptics also doubt that G20 countries with different views about the role of government as well as the importance of political freedom in the economy can reach agreements on economic policy issues (Roubini, 2011). But it is important to separate the performance of the G20 as an institution from that of G20 leaders at a particular G20 summit. In Seoul, for example, everyone would agree that G20 leaders in Seoul could and should have done more, especially to allay market concerns about global economic imbalances. In general, new groups such as East Asian G20 members have been slow to assume and share responsibilities that come with their new seats at the table (Mo, 2009). Many appear hesitant or reluctant to pursue common global interests beyond their national interests. But in all likelihood, G20 leaders have been able to accomplish what they have because of the G20 and would have accomplished much less in its absence.

Is an embedded G20 a positive shift for global governance?

The post-war system of global governance was built on the principle of universal multilateralism, i.e., universal and inclusive country membership in international organizations (Ikenberry, 2006). Even though great powers have always had privileged positions in international organizations such as the five permanent members of the United Nations Security Council, the basic ideal of universal multilateralism remains intact in the governance of international organizations. Under universal multilateralism, the United Nations and the International Monetary Fund have grown to include 193 and 187 member countries, respectively.

Over the years, global governance groups such as the G7, the G20 and many other small-number groups have emerged to fill the void in the system of universal multilateralism, that is, lack of effective decision-making at formal international organizations. Major countries find it useful to form self-selective small-number groups for discussing global issues. In such exclusive groups, major countries can reach a consensus more easily, unencumbered by formalities of international organizations. The decisions made at small-number groups can become universal as other countries may find it necessary to adopt them.

At this point, it is important to be clear about what the rise of the G20 means and what it does not (Mo, 2010). First, the rise of the G20 means that the G20 is replacing other global governance groups such as the G7/8. So the G20 is not a new type of institution that emerged in 2008 threatening the ideals of universal multilateralism. Second, the rise of the G20 also means that a G20-centered system of a hierarchical form of global governance is emerging as opposed to a “messy” system of global governance where major countries work with different small-number groups for different purposes through ad hoc coalitions of the willing (Haas, 2010).

To the extent that the system of global governance requires the presence of a small-number group outside of formal international organizations, the consolidation of small-number groups around the G20 is a positive development. The G20 is much more inclusive than the G7 in which countries from most of the major regions have representation reflective of a diversity of voices. As David Held, a leading champion of cosmopolitan multilateralism, has signified in a recent book, the G20 featured ‘an unprecedented successful attempt by developing countries to extend their participation in key institutions of global governance’ (Held, 2010. p.204).

Instrumentally, while only a small number of advanced industrial countries participate in the G7, 12 emerging economies are members of the G20. Since small-number groups are informal and intended to supplement formal international organizations, it would be wise not to create too many of them. Thus, if the G20 proves its effectiveness, we will see the G20 moving into other issue areas and taking the place of governance groups currently working in those areas. Development, anticorruption, and food security are all prominent on current G-20 host President Sarkozy’s list of priorities but there is a much wider list of possibilities including climate change and clean energy and nuclear safety. Rather than the tight North-South divide associated with the late 20th century, the G20 process features a myriad of cross-cutting cleavages on issues relating to modes of financial regulation, stimulus versus fiscal restraint, bank levies, exchange rate and monetary policy, and global imbalances. Bargaining takes place on an issue-specific basis.

To conclude, we can choose from among three alternative multilateral systems, universal, hierarchical, and messy.[2] Hierarchical multilateralism is a system where one small-number group, standing as the apex of the system, guides and coordinates all constituent formal and informal international organizations. In the 1970s, a hierarchical multilateralism arrangement with the G7/8 at the center replaced universal multilateralism as the de facto multilateral economic system. In the rise of the G20, we are seeing the pressure to expand the membership of the core governance group. If the G20 fails, we are far more likely to struggle with messy multilateralism than to return to universal multilateralism. Given this prospect, a solid argument can be put forward why global governance will benefit from a strong G20.

[2] These are variants of the intergovernmental model of global governance. Implicit in this conceptualization is my assumption that alternatives such as multi-level governance (Cerny, 2005), global republicanism (Doyle, 1986) and cosmopolitan multilateralism (Held, 2003) to the current intergovernmental model are not viable for the foreseeable future.

Why is the G20 becoming embedded in Global Governance?

One can offer a couple of structural reasons why the G20 is emerging as the dominant governance forum. Arguably, the most important reason is the default option effect. Under the current international environment, it is practically impossible to organize a viable alternative to the G20. In fact, when President George W. Bush convened a meeting of world leaders in November 2008, he had considered several groupings but settled on the list of countries who were members of the G20 Finance Ministers' group who had met annually since 1999 because it was a ready-made solution and did not have to be created (*The Global and Mail*, June 18, 2010).

Another reason is institutional dynamics. Once member countries perceived the G20 as the only viable site for international cooperation, they started competing with each other for leadership, i.e., jumping on the G20 bandwagon. For example, the G20 presidency has become a valued privilege, the target of intense lobbying among member countries. Certain institutional features of the G20, such as the rotating presidency and the troika system, have also helped to strengthen the G20 as they give opportunities for member countries to play a leadership role as the host of the G20 summit or a member of the troika.

At the national level, although most of the media attention is focused on the countries at the core of a purported emerging multipolar world, it is middle powers that are the biggest champions of the G20 and work the hardest in the background to make it work. Among the four most ardent supporters of the G20 within the G20, Australia, Britain, Canada, and South Korea, three are countries that call themselves middle powers: Australia, Canada, and South Korea.

At the formative stages, it is the entrepreneurial role of Canada that stands out. Indeed the idea of the G20 itself originates in Canada. It was Paul Martin as the Canadian finance minister in 1998 that persuaded the United States and other G7 countries to form a new group, the finance G20, to invite leaders of developing countries to participate in international economic decision-making process. Paul Martin was also the first to call for the elevation of the G20 Finance Ministers' group to the G20 Leaders' group in 2005. Without Canadian leadership, the G20 might never have existed in its current form.

In more recent years under Prime Minister Stephen Harper it is technical leadership that comes to the fore as Canada hosted the fourth G20 summit in June 2010. The Harper government has embraced the middle power model, although through a variant approach that puts the emphasis on instrumental delivery as opposed to declaratory statements (CanWest, 2007). Canada is a significant player on G20 work on global imbalances as a co-chair of the Working Group on the G-20 Framework for Strong, Sustainable, and Balanced Growth. In the February 2011 G20 finance ministers meeting in Paris, the Working Group led by Canada brought China and the rest of the G20 closer by proposing to use several imbalance indicators, including government debt and deficits, and private savings and debt.[3]

Credit for sustaining the G20 momentum after the historic London Summit should go to South Korea and Australia. South Korea and Australia worked hard after the London Summit to institutionalize the G20. Both countries felt that their efforts paid off when G20 leaders in Pittsburgh decided to designate the G20 as the premier forum for international economic cooperation and to make it an annual meeting. A joint op-ed column that the leaders of Korea and Australia, Lee Myong-bak and Kevin Rudd, contributed to *the Financial Times* urging the G20 leaders to agree on a framework for macroeconomic policy coordination in Pittsburg was one of the highlights of their joint action (*the Financial Times*, September 2, 2009).

Attending her first G20 summit at Seoul, Prime Minister Julia Gillard promised to continue the "Australian Labor tradition of creative middle-power diplomacy". She said Australia had been a driving force on reform of the International Monetary Fund, played an active role in the creation of new international banking rules and had been active in putting issue of development on to the agenda, supporting the initiative of the president of Korea. She also indicated support for an expanded agenda encompassing a jobs strategy and climate change (Grattan, 2010).

South Korea as the 2010 chair country took the G20 through two G20

[3] "Canada plays role in G20 deal with China," *the Calgary Herald*, February 19, 2011

summits in 2010, Toronto in June and Seoul in November. As *the Economist* points out, South Korea's energetic leadership helped turn the G20 into "a talking-shop worth having" (*The Economist*, November 4, 2010). South Korea has been active at the G20 from the very beginning. President Lee decided early on to contribute to global discussions on ways to fight the global financial crisis as Korea was one of the hardest hit victims in the 1990s Asian Financial Crisis. He called for a standstill on trade protectionism at the first G20 Summit in Washington in November 2008. Korea's contributions have been particularly noteworthy in the areas of common interests both for the developing and developed countries, as it defines its role as a bridging power between the two camps. Korean initiatives at the Seoul Summit included global financial safety nets and development assistance for poor countries.

The idea of the financial safety net attracted strong interest from emerging market economies that are vulnerable to sudden changes in international capital flows. Before the 2008 crisis, emerging markets in need did not want to turn to the IMF for help because an IMF bailout brought a stigma effect, destroying the credibility of borrowers. What they needed in the IMF was a pre-crisis prevention insurer, not just a post-crisis bailout fund. In the Seoul Summit, the G20 decided to strengthen the IMF's crisis prevention role by expanding the IMF's Flexible Credit Line and introducing a new Precautionary Credit Line. G20 leaders hoped that these new sources of funding would reduce the need for emerging countries to accumulate foreign reserves as self-insurance against volatile global capital flows. South Korea also sought the ways for the IMF lending facilities to link up with various regional arrangements such as the Chiang Mai Initiative in Asia.

Korea's presidency of the G20 also presented an opportunity to bring development issues to the table. With its vivid memories of development successes and failures, Korea pushed for a development agenda and multi-year action plan, including a pledge to duty-free, quota-free market access for low-income countries. The initiatives could make the G20 Summit a much more inclusive and relevant event for the entire world as it can bring more than 173 non-member countries into the G20 arm.

The Seoul Summit also aimed to achieve macroeconomic coordination with detailed policy recommendations for each individual member country to develop the Framework for Strong, Sustainable and Balanced Growth. The uneven and slowing global economic recovery sparked a currency war, with the U.S., China and Japan beefing up the battle to grow through exports. China's currency policy in particular was the target of major concern among its trading partners. Believing that the Chinese government keeps its currency undervalued, the United States and others called for the appreciation of the Chinese yuan at the Seoul Summit. Identification and correction of macroeconomic imbalances were another thorny issue. The United States wanted to set numerical targets on current account surpluses and deficits but major surplus countries such as Germany and China strongly opposed proposals to quantify limits on them. In the end, no breakthrough on currency and imbalance issues was reached at the Seoul Summit. But South Korea managed to broker significant agreements. On currency levels, the leaders agreed to move toward market-determined exchange systems and on macroeconomic imbalances, they set the deadline of June 2011 for coming up with "indicative guidelines" of what constitutes an over-the-top deficit or surplus. Media reports that President Lee threatened not to end the meeting until China and other opponents agree to the deadline.

Another key agenda was to overhaul the IMF, especially the shift of 6 percent in quota to underrepresented members from the over-represented countries. Korea as the chair worked hard to hammer out agreements on most of the controversial issues by the November 2010 Summit. Most agree that reform of IMF governance counts among the G20's greatest achievements so far.

In addition to agenda setting and coordination, the Korean government in Seoul demonstrated its commitment to effective consensus-building and global communication in the run-up to the G20 Seoul Summit. It hosted the World Bank and IMF conferences alongside the meetings of finance ministers and central bank governors in Korea and invited most top government officials from Africa to hear their opinions about the G20 agenda and build up a consensus on the development issue. It also organized a gathering of more than 100 chief executive officers from Fortune

250 companies during the Seoul Summit in a bid to reflect the private-sector views when political leaders discuss the global issues and concerns. The "business summit" may become a regular sideline event of the annual G20 Summit as France, the next chair, is to host a similar meeting.

Why is middle power leadership important?

It is clear that middle powers have played a critical role not only inside the G20 but in connected areas. Although a complete examination of these trends lies beyond the ambit of this paper, studies show that middle powers are taking initiatives in many areas of global governance, e.g., Mexico's 2010 presidency of the United Nations climate change conference (Diringer, 2010) and the leadership of Turkey on the area of the Least Developed Countries (Lesage and Kaçar, 2010). Inside the G20 Argentina has played a major role in showcasing the issue of jobs (Hwang, 2010) and employment and Indonesia has been a co-chair with France of a Working Group on anti-corruption (Fadillah, 2010). This begs the question of why middle power leadership is reviving in such an extended fashion.

Returning to the themes rehearsed at the outset of this paper, two structural changes in the international system, power transition and power diffusion, are taking place in this century (Nye, 2011). Accordingly, a move beyond the image of a comprehensive "Rise of the Rest" in global affairs is needed (Zakaria, 2008). Such a kaleidoscopic perspective, if valuable as an antidote to the retention of US-centrism in so much of the literature, misses the degree to which, in the 21st century, a new form of hierarchical differentiation has reappeared. The "Rise of the Rest" does not create uniformity; instead, it creates variegated layers on the global scene, each of which deserves careful scrutiny.

We argue that both changes favor the position of middle powers in the international system. A power shift from the developed to the developing world places middle powers in strategic and pivotal positions. The G20 itself was created to accommodate the rise of emerging markets in the world economy; it provides an open stage where major emerging and advanced nations discuss pressing global issues on an equal footing, unlike international organizations either with a two-tiered arrangement or weighted voting system. In an international system increasingly divided between large developed and large developing countries, middle powers are likely to hold casting votes to break frequent deadlocks in multilateral negotiations.

From a governance point of view, the G20 is far from the ideal solution as it is vulnerable to gridlock on a wide and deep set of technical issues. Therefore, the success of the G20 largely depends on the foresight and leadership of leading countries in both developed and developing country blocs. It also helps if there are brokers or arbiters between the two groups. There are only a few countries that can take the role as a middle power belonging to neither of the two camps of large developed and large developing countries notably Korea and Australia or a country that is in a straddling position such as Canada.

Although power transition describes the central tension in contemporary international politics, power diffusion and diversification are more interesting processes, creating and driving new forms of power such as soft power and network power (Nye, 2011). Power diffusion refers to the diffusion of power to non-state actors such as non-governmental organizations (NGOs) and private actors; in today's information age, so many decisions are made outside the control of even the most powerful states. Power diffusion also widens the scope of coalition-building. Leaders must win the support of not only other states and but also a whole range of non-state actors including media, NGOs and businesses.

In this environment of globalization, the interests and ideas of states themselves are becoming diverse. In fact, they are so diverse that it is hard to see strong solidarity among developing or developed countries. Because state interests are becoming more diverse, coalitions among states are becoming fluid across issues. Even within the G20, the conflict between developed and developing countries is not the only source of disagreement. Rachman (2010) sees the presence of at least seven major cleavages that divide the member countries: current account surplus versus deficit countries, currency manipulators versus manipulated, fiscal expansionists versus conservatives, democracies versus autocracies, West versus the rest, interventionists versus souverainists, and member versus non-member countries. The effects of the emergence of cross-cutting cleavages among G20 member states do not have to be negative as many supporters of like-minded groups such as the G7 fear. In democratic theory, a diversity of interests among interest groups is believed to promote inter-group negotiation and compromise across issues and thus, the stability of democratic governance (Lipset, 1981). If this dynamics holds at the G20, the G7 and the BRICS will not always clash with each other and depending on the issue, they will cooperate based on shared interests.

Under the condition of shifting and expanding coalitions, countries with network and soft power resources have advantages because they can better identify and build right coalitions. A country with network power has more information, communication tools and human networks, so it can convene or put together winning coalitions more easily. Soft power helps because it produces right messages, initiatives and innovations as well as wins trust from partner countries.

Certainly, great powers strive to possess these new forms of power and may be more successful in winning them than middle powers because of their size and first-mover advantages (Slaughter, 2009; Nye, 2011). Even as it is in relative decline, the US in particular can lever “America’s edge” via its continuing store of innovative, network animated capacity (Slaughter, 2004). But size and history are double-edged swords. Size and history offer advantages but at the same time many disadvantages to great powers as their size invokes fear and resentment from other countries as well as their history reduces their adaptability and flexibility. Soft and network power resources can just as easily belong to middle powers. And middle powers may be better positioned to convert new forms of power such as soft and network power into effective power because they are more agile and freer of political and ideological baggage than great powers. Some middle powers that are located strategically and have strong democratic and cultural infrastructure may possess more network and soft power than great powers.

In the past eras of strong states and inter-state rivalry, the role of middle powers was pace Gareth Evans (Evans, 2011) essentially that of a “good international citizenship, within the utility, and necessity, of acting cooperatively with others in solving international problems, particularly those problems which by their nature cannot be solved by any country acting alone, however big and powerful. The crucial point to appreciate about good international citizenship is that this is not something separate and distinct from the pursuit of national interests…On the contrary being, and being seen to be, a good international citizen should itself be seen a third category of national interest, right up there alongside the traditional duo of security and economic interests". In the present world, if middle powers want to bring outcomes close to their preferences and/or robust aspirations, they must do so with the support of strong and diverse networks (Welsh, 2004). These assets are amply possessed by both the traditional and non-traditional middle powers.

Canada is the only country defined as a middle state that is a member of both the G8 and G20. There are potential weaknesses associated with this duality, as it stretches Canada's diplomatic resources. Nevertheless, it also provides Canada expanded diplomatic space for issue-specific initiatives allowing it to tap into a wider set of global governance issues pertaining to issues such as health and food security. Both of these efforts bring to the fore the recognition of informal, delegated public/private partnerships with key non-state actors, above all the Gates Foundation.

The case of South Korea is interesting for its own image of ascendancy from vulnerability and thus deserves more attention because it is a new player in middle power diplomacy; one can argue that its middle power diplomacy began only with the advent of the G20 in 2008. At the G20, Korea's leadership advantages came from its strategic position in the global economy as well as its strengths in knowledge and cultural industries. In the global economy, Korea is not only a middle power but also a newly developed economy, a crucial asset with which to build networks both with developed and developing countries. Korea can reach out to developing countries because it has the *most recent* experience of development among developed countries; Korea's development experience, which took place only in the last several decades, is considered more relevant for developing countries. Korea is also a strong democracy with vibrant civil society and independent media; in 2010, *the*

Economist rated South Korean democracy as the strongest in Asia ahead of that of Japan.

In exercising leadership, the Korean government also benefited from a strong corps of internationally educated bureaucrats and a new sense of cultural confidence. Both of these qualities are derived from strategic investments in international education and cultural industries. Korea has always had a large number of students studying abroad, especially in the United States. Openness to international education also extends to China as the largest contingent of foreign students in China now is Korean.

Korea's popular culture holds growing sway over young Asians. Korean movies, dramas and music are widely popular across Asia and beyond. Korean multinational companies, such as Samsung and Hyundai, are global status brands strong in Asia. Korea also sets and leads consumer trends in many markets ranging from electronics to fashion to cosmetics. Even in lifestyle, Korean influence is growing stronger as its designers, architects, artists, plastic surgeons and beauticians captivate young generations in Asia.

The future of middle power leadership at the G20 and beyond

The G20 as an institution reached a new milestone at the Seoul Summit. It was in Pittsburgh where the G20 was officially designated the premier forum for international economic cooperation. But Seoul will be remembered as the place where the G20 proved its worthiness as the premium decision-making arena. That is, the G20 fully established itself as the only game in town in Seoul. But the biggest long-term legacy of the Seoul Summit may lie elsewhere. In a world short on strong leadership, the Seoul Summit showed that middle powers can make a difference and share the burden of leadership with great powers.

However, middle powers must remain vigilant if they seek to maintain their influence at the G20 and beyond. Threats to middle power leadership come from three sources. First, the arrival of the G2 will undermine the rise of middle powers.

So far, China and the United States show little evidence of behaving as G2 powers. Regardless of the actual behavior of China and United States, it is fashionable nowadays to talk about the G2 and such talks can become a self-fulfilling prophesy. If the G2 framework is set in stone, everyone else's room for maneuverability including that of middle powers will shrink to an insignificant level.

The second potential threat is the democratization of the G20. The G20 may introduce a constituency system to elect members as a way of increasing its legitimacy. If this system is adopted, the G20 membership of middle powers is at risk the most. Large countries, developed or developing, are likely to maintain or increase their level of influence at the G20 even under a constituency system, but not the middle powers.

A pronounced sense of nationalism within a middle power is another threat to its middle power leadership on the international stage. When a country pursues middle power leadership, it must temper its nationalistic inclinations at least in terms of status-aspirations. But it is not clear that a new middle power like South Korea has thought through or fully understood this trade-off. One can argue that South Korea is able to pursue its middle power leadership because its middle power policy has yet to test its strong sense of nationalism. The South Korean public may withdraw their support for middle power leadership if they realize that middle power leadership entails the subordination of what they consider as aspirational goals to multilateral diplomacy.

National consensus on the middle power role in even traditional middle powers such as Canada is not assured. While Canada does have some levers of influence, it lacks the power to determine the re-shaping of the global order on its own. Any attempt to comprehend Canada's own aspirational goals therefore necessitates not only a thorough understanding of Canada's preferences in the re-configured global institutional architecture but also the wider contextualized means by which transnational networks are mobilized into that re-configuration.

As in any environment in which there is a re-shaped hierarchy, there is a need for middle powers to continue to try harder. To quote Gareth Evans one last time

(Evans, 2011): “Most exercises in middle power diplomacy will not produce especially spectacular results. Most of the time, trying to achieve progress on problems of the global commons…with all the free-rider, weak-link, sovereign-preference and other constraints on collective action that they involve – involves very slow boring through very hard boards. But the cooperative internationalist approach that is at the heart of middle power diplomacy is, in the kind of world in which we now live, the only way to solve the world’s problems. And in generating acceptable solutions, countries not of major power status are as well equipped as anyone else, and in a number of cases better equipped, to deliver the goods.”

The enormity of the extent of change in the 21st century thus should not completely overwhelm some elements of continuity: the importance of good ideas, entrepreneurial and technical leadership, and the extent to which selective multilateralism in a pluralistic environment matters. Yet, the forces of change have raised the stakes for middle powers. There is a considerable burden placed on them for organizational maintenance within the G20. The focus is no longer on secondary issues relating to reputation, voice opportunities, and niche forms (Cooper, 1997) - but the core agenda of economic global governance with the prospect of the G20 becoming a more comprehensive steering committee. Under such conditions there is a need to move beyond traditional concert diplomacy to encompass more diverse actors and layers if successful problem-solving is to be achieved.

The willingness and capacity of middle powers to meet these challenges in the context of the G20 is highly salient both in terms of interests and identity. However, the need to recognize the implications of the central role of middle states in the G20 goes beyond questions of agency to structure. At the systematic level, in the transition from unipolarity to multipolarity, the missing middle is commonly left out. Amid the focus on jockeying between the US, the BRICs and the EU, re-location of middle powers continues to remain below the radar in academic circles with the scholarly ambit stuck in 19th and 20th century terms. Inter alia, the G20 allows an opening up of the lens about the nature of hierarchical multilateralism in which this paper acts as the first step of a wider important project. Instead of optional extras the middle powers stand at the core of changing complexities of inter-state cooperation and the transnational regulatory structures in the 21^{st} century. As such this constellation of actors deserves deeper and sustained research.

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