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# The G20: Inclusivity and Legitimacy

## A Nordic Perspective

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**At a time of geopolitical uncertainty and strong interdependencies there is a need for more effective global governance. The G20 provides a positive force but there are well-founded concerns with regard to its legitimacy and the risk of securing “club goods” at the expense of international institutions such as the UN. In particular, many countries from the southern hemisphere feel excluded from this elite group and continue to express their worries – but they are not the only ones. The Nordic countries, among them Norway, Sweden, Finland, and Iceland, constitute an economically powerful group of states that has been denied any membership so far. So what is the Nordic perspective towards the G20, and how can the Nordics contribute best to this forum of the largest industrial and emerging states?**

### The G20 – its strengths and its deficits

The G20 is founded on the premise that the world needs global coordination and global problem solving. Many of the greatest challenges of our time require transnational coordination. This includes climate change, conflict, migration and efforts to mitigate these challenges through renewable energy, poverty reduction, peace-building, access to education and health. In a world of intense economic and financial integration there is a need to reduce unfair trade and the ability to manage security threats including conflict and violent extremism. As such, we need more, not less international coordination. The existing international and multilateral institutions, including the UN and other Bretton Woods bodies, are not functioning well. Disagreement among member states and dwindling funding has left many of these institutions outdated and ineffective. The Bretton Woods institutions are also seen as not representing current economic and demographic realities anymore. At the outset there is a strong functional need for a body like the G20 – an agile body where powerful countries meet, share views, coordinate and solve problems. The G20 has indeed demonstrated this capability especially with regard to tackling the 2008 financial crisis. However, there have also been periods where the G20 meetings have been less consequential and proven unable to solve global challenges.

Notwithstanding its achievements, the G20 is premised on several structural weaknesses. First, the G20 is a self-appointed club. It is in principle not mandated to act on behalf of anybody apart from its member states. Hence, there is always a risk that it will secure “club goods” rather than global public goods. Secondly, the G20 is not representative. Although the G20 countries represent around 85 per cent of world GDP, 80 per cent of world trade, and around two thirds of the world’s population, it does not represent the 193 UN member states. As long as “states” remain the relevant unit to consider in international affairs, the G20 will not be a representative body. There is an intrinsic risk that this biased representation will also affect the agenda and the actions of the G20. Thirdly, the G20 lacks effectiveness because of its scale. 20 different countries, from all regions in the world, sitting at one table already constitute a big hurdle for

effective exchange of information and for decision-making. The G20 has also been prone to overload the agenda, which can result in a lack of follow-up and continuity. Moreover, the G20 lacks independent financial and legal instruments, which means a limited capacity to act beyond the annual summits.

The fact remains that the G20 is not an international organization. It is not established by a treaty, and it has no legal identity apart from the identity of the members. This means that the G20 does not have a dedicated secretariat or civil servants. It cannot enter into legal agreements, in fact, it cannot even have its own permanent website. The G20 should therefore be seen as an arena or a platform, rather than an institution with autonomous capacities to act.

### **The non-members and their views**

Many countries, regions and organizations have voiced concerns about the G20. Some have been more radical including an outright boycott of the G20. Others have been more constructive, emphasizing the need to ensure greater regional representation in the G20 including African, Arabic or Nordic partners. The Nordic perspective is based on the fact that none of the Nordic countries (Sweden, Denmark, Finland, Norway and Iceland) are members of the G20 – notwithstanding the fact that Sweden, Denmark and Finland are indirectly represented as EU member states. The 2017 German G20 Presidency has invited Norway alongside the Netherlands and Singapore as partner countries. This was a welcome bilateral gesture much appreciated by the Norwegian government. However, as we all know, being a guest is not the same as being a full member.

Although not members, the Nordic countries have shown a keen interest in engaging with the G20. Most prominently, in 2009, then Norwegian foreign minister Jonas Gahr Støre put forward the idea that members of the Nordic Council – Norway, Sweden, Denmark, Finland and Iceland – could share a rotating seat at the G20 (with the added suggestion that this could include the Baltic States and possibly Poland). He also recommended that the G20 should explore similar arrangements for other under-represented groups, such as African and Arab countries. The Nordic Council of Ministers has continued to stake out common engagement with the G20 and recently hosted a high-level seminar entitled “Can the Nordic region gain influence in the G20?”. The meeting sought to discuss more broadly what role the Nordic countries can play in light of increasing global instability. With Sweden being elected as a non-permanent member to the UN Security Council for the period 2017 to 2018, the Nordic countries are particularly keen to leverage their collective role with regard to peace and security.

Nordic engagement with the G20 has not been limited to governments. Notably, labour unions across the Nordic countries, representing more than 9 million workers, wrote an op-ed following the G20 summit in China last year advocating for Nordic membership. The Nordic labour unions argue that following the 2008 financial crisis the G20 has become the de-facto decision-making body for global economic policy and that the only way to influence these policies is by becoming a member. Moreover, the unions hold that the G20 is a crucial arena to advocate and adopt policies based on the Nordic model, which include economic competitiveness and open trade combined with social protection and wealth redistribution. Rather than attacking the G20 for being unaccountable and insensitive to the ills of globalization, the Nordic unions now see an opportunity to help shape a G20 agenda with regard to economic policy, labour markets, and beyond. This is significant as the unions represent an important part of the Nordic model, namely tripartite consultations, bringing together workers, employers and governments in formulating and negotiating labour standards and policies. This consensus-driven approach has been a lynchpin for the Nordic model, which has coincided with several decades of strong economic growth, low barriers to trade and high levels of employment and job protection. These aspects should hold great appeal to the G20 as inequality and discontent are shaping politics in many member states.

## The Nordic View

The strong interest and engagement from the Nordics, including Norway's proposal for a Nordic seat in the G20, can be explained by several underlying reasons. First, the Nordics are worried that important and substantial debates will be lifted out of the UN and other bodies, and over to the G20. As a result, the UN becomes a less attractive arena, and a less important decision-making body. Moreover, since state leaders have limited time they need to prioritize where to attend and who to meet. Considering that the G20 meetings compete for the same high level participation and engagement, more meetings in the G20 means fewer days for engaging in other bodies such as the UN. In short, the Nordics have been fearful that the G20 risks undermining the established international institutional order. One could also imagine that a successful G20, as an alternative global arena, would reduce the incentives for necessary reform of the UN, thus rendering the UN obsolete.

The Nordics' concern with the G20 has also been based on self-interest and especially on the fear of being excluded. The Nordic countries have historically played an active and supportive role in international forums. This included their key role in developing, promoting and funding the UN. With the advent of the G20, the Nordics found themselves, for the first time since 1945, excluded from a key international body. Another point relates to the criteria for membership in the G20. It is evident that membership in the G20 provides status, recognition and standing in the international community, but there are no clear criteria for joining. Economic size is one parameter, but there also seem to be other factors, including geography and size of population.

Sweden and Norway are both among the 25 largest economies in the world. The Nordics, with 26 million inhabitants only account for 0.3 percent of the world population, but their economies represent almost 2 percent of world GDP. As a group, the Nordics represent the 12th largest economy in the world, just behind India and Russia, but ahead of South Korea and Spain. The Nordics punch above their weight not only with regard to global trade, GDP per capita and FDI but also international finance. Most prominently, Norway's Government Pension Fund Global – with a value around 900 billion US-Dollar – holds more than one percent of global equity markets. In other words, the Norwegian sovereign wealth fund is a significant global financial actor.

The Nordics also have valuable experiences from operating in global markets that might be of benefit to others. They have a higher share of their economy exposed to global markets than most other countries, including the larger G20 economies. The Nordic countries are also more globalized economies, scoring high on global competitiveness rankings. Moreover, they also score high on life quality, political stability, economic and gender equality, democracy, sustainability and many other parameters. This combination is rather unique and seems to reflect a model G20 country. In other words, the Nordics believe that, despite being small, they bring important lessons and experiences to the table, especially in the current climate where some politicians seem to be blaming global trade and globalization for inequality in OECD countries. The Nordics have also demonstrated how policies on taxation, education, health and climate can contribute to a more sustainable globalization and fairer distribution of the benefits.

## Future Prospects

The proposal to include the Nordics in the G20, however, was not implemented. There are several good reasons for this. Firstly, enlarging the G20 would most likely undermine the G20's stature and clout. The very point of the G20 is to have it as a small and informal body. It could be argued that the G20 is already too big and unruly. If the G20 was to be enlarged, it should probably not include European countries. The success of the G20 is based on expanding participation and representation beyond the West. The fact remains that Europe is already overrepresented in the G20, just as in many other international institutions. Hence, Nordic membership might, ironically, have led to an even less representative G20.

Secondly, the Nordic countries would most likely struggle hard to act as a unified force. Although they share many values and similarities with regard to economic and public policies, the G20 is not a natural arena for the Nordic countries to operate as a united block. As long as Sweden, Finland and Denmark

remain members of the European Union, this will be the driving force for their global policies – and not the Nordic Council. Likewise, when it comes to security issues: Norway's, Denmark's, and Iceland's membership in NATO will trump any common Nordic standpoint which may involve Sweden and Finland who are not members of NATO. The fact remains that the Nordic countries have limited incentives to forge common positions at the international level including the G20 if they were to be admitted.

As long as states remain the building blocks of global governance, there will always subsist concerns with regard to the G20's inclusiveness and legitimacy. Expanding the format, such as by including the Nordic countries, is unrealistic and will not solve much, as discussed above. The G20 should see itself as an agent for promoting and supporting the broader international agenda, not as challenging it. The G20 would be most effective if it worked in tandem with other bodies, helping to bring new issues to the global agenda, and to implement the measures already agreed on.

There are several measures the G20 could undertake in this regard. Firstly, the G20 countries need to maintain an active role in the UN and other international institutions, thus taking the edge off the member/non-member divide. Engaging in the G20 should not replace engagement with the UN or other international bodies. Moreover, engaging in the G20 should encourage current efforts to fund and reform the UN, and not the opposite. Efforts by both the German and the Chinese presidency to support and push for the Agenda 2030 and the Paris agreement are very important in this respect. Secondly, G20 countries should more actively solicit and accommodate inputs from non-members.

Conversely, non-members, like the Nordics, should seek to provide input into the G20 process in a constructive and timely manner. The Nordic countries have already started to do so. For instance, they presented a report on "Green Financing: the Nordic Way" at the Hangzhou Summit in 2016. The G20 should follow this example and ensure that other relevant actors help shape these global discussions.

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