

Middle Power Leadership and the Evolution of the G20

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Middle Power Leadership and the Evolution of the G20

Abstract

Global power is becoming more diffuse, smarter, and more asymmetric. In developing this extended argument, we make four points. First, the G20 Seoul Summit in November 2010 showed that the G20 is becoming increasingly embedded as the hub of global economic 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 article, therefore, will concentrate in the following on the role of Canada, Australia and South Korea but, there is some considerable potential for this role to be appropriated by 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 within the evolving pattern of global governance.

Keywords

global summitry, global governance, G20, G8, middle powers, great powers, international affairs, international politics, international, BRICS, economics, eurocrisis

Cover Page Footnote

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MIDDLE POWERS, GREAT POWERS, AND THE REST

Global power structures are continuously in flux. Changes in the international environment, or domestic conditions, have been able to elevate a state to a higher level of prominence or diminish it in terms of the hierarchy of nations. Yet structural dynamics can be tempered by agency either in terms of diplomatic performance or institutional location. In structural terms, countries categorized as “middle powers” are highly vulnerable to status downgrade. In contemporary international relations architecture, the focus has turned to the large economic market states of the BRICS states – China, India, Brazil, Russia, and South Africa (Wilson and Purushothman 2003) (Elliott Armijo 2007). It is these states that are associated with rising influence in international relations. Bigness, in terms of market size, proportion of foreign direct investment received, and trade exports volumes are all identified with their rising prominence. “Diplomatic capability,” the arena of comparative strength for the so-called middle powers – identified with active go-between initiatives – has eroded. This decline in influence appears to be result of the development of large emerging market economies and in part due to ambitious, skilled, and networked small states and a variety of non-state actors.

This squeezing of the role of middle powers demonstrates that the “rise of the rest” in global affairs fails to describe the rise and fall of influence of a variety of these states (Zakaria 2008). Attention to the rise of the rest, if valuable as an antidote to heavy focus on “US-centrism” in so much of the literature (Brooks and Wohlforth 2008) (Layne 2009)(Brooks and Wohlforth 2008; Layne 2009), misses the degree to which a new form of hierarchical competitiveness has appeared in the 21st century (Alexandroff and Cooper 2010; United States National Intelligence Council 2008; Subacchi 2008). A focus on the rise of the rest does not create uniformity, but rather differentiated layers of states with global influence.

The image of decline we’ve identified for middle powers is accentuated by two other factors. First, in a world of diminished US hegemony, it is much harder for middle powers to take on a repertoire of activities beyond mediation. At the end of the Cold War, middle powers could re-locate themselves as both supporters and occasional counterfoils to the dominant power – the United States (Cooper, Higgott and Nossal 1993). Within some basic boundaries and guidelines, middle powers held key roles both as loyalists and issue-specific dissenters. The pathway forward appeared to contain dualistic and even paradoxical components. On the one hand, in a unipolar world, middle powers were pushed to play the role of followers in the core security domain (the first Gulf War), the economic arena (the move from the GATT to the WTO), and on social issues (human rights, democratization). On the other hand, within select niches, middle powers have had considerable space and incentive to form coalitions that took on the US on issues such as land mines, the ICC, and child soldiers.

But with the ascendancy of both the rise of large emerging market states (the BRICS) and small agile states, middle powers have been squeezed in a variety of ways. In some institutions, notably the WTO, countries such as Canada have been eased out of informal groupings at the core of negotiations. Thus the demise of the Quad has left Canada without that same influential setting. In the IMF middle powers, including the Netherlands and Belgium, are facing pressure to exit positions and influence they had once held with the intent of re-calibrating votes and shares. Success for middle states in the competition for UN Security Council non-permanent seats can no longer be taken for granted. Canada illustrated this with its loss to Portugal in 2010 or Australia’s tough campaign against Luxembourg in 2012.

Significantly, though, this image of being marginalized is not the full picture today. The reduction in political space in international relations is contradicted by a revival of interest in the middle power role predicated on alternative sources of capacity and agency in international politics. With a focus on attributes such as GDP and other dimensions of economic and demographic weight, a number of recent reports have pointed to the generalized appearance of an “emerging middle” in the global economy. Goldman Sachs has conceptualized a “Next 11,” featuring a lengthy list of countries ((Bangladesh, Egypt, Indonesia, Iran, Korea, Mexico, Nigeria, Pakistan, Philippines, Turkey, and Vietnam) it deems to possess necessary economic trajectories (Goldman Sachs 2007). Other analysts from the investment industry have tweaked this concept of a “new middle,” identifying it as either CIVETs (Colombia, Indonesia, Vietnam, Egypt, Turkey, and South Africa) or MIST (Mexico, Indonesia, Republic of Korea, and Turkey).

This group of states is very different from the older collection of middle powers, located largely in Western Europe and including Canada and Australia. Most, if not all, of these new middle power countries have been described as outsiders or resisters in the international system. Their main institutional links have been with groups such as the G77 and NAM. Their role appeared to be as *demandeurs* – insisting on system transformation – rather than as system supporters.

What might connect the two groups in policy orientation and provide some logic for comparative analysis? It would appear to be their shared participation in G20 summitry. Although the G20 has been cast as a “concert of powers,” it is similar to concerts of previous eras (Åslund 2009). The simple fact is that the G20 is made up of 19 countries – along with the EU – and is therefore distinguished from earlier 19th or 20th century stereotype of a big 3, 4 or 5 (Ikenberry 2001). By way of contrast, the members of the G20 are quite numerous and diverse. Also there is no image of these states as allies or victors in war. Nor is there the sense of ideological uniformity or anti-revolutionary ethos. As the hub of the new order, the G20 includes countries from every quadrant of the globe plus some implicit regional representation.

The question that this article addresses is whether and/or how this mixed (old and new) category of middle states has grabbed the opportunity presented to them for leadership with membership in the G20. The importance of this question is amplified by the apparent ambivalence of the larger powers to the G20: many appear to prefer a caucus or a smaller grouping. This ambivalence appears to be shared by the BRICS countries as well. These rising states have exhibited a willingness to work within the G20 as a means of status-enhancement. However, it is still unclear to what extent they want to embrace the G20 as their institutional “main game” as opposed to national self-insurance or as an alternative to global or regional institutional options in which they have more autonomy (Barma, Ratner and Weber 2007). Put another way, it is unclear whether the preference of these rising states from the global South is to work through a core club-like forum or to utilize other parallel forms of international coordination.

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 in the diplomatic approach of the rising powers generally, and in China’s approach in particular, as the heavyweight of the BRICS countries. The G20 is deemed to be an advance as a “transitional mechanism” in global economic governance. However, rather than taking on a comprehensive role as managers in reshaping the global system, a selective approach has been adopted: going along with some G20 initiatives in some issue-specific domains but resisting in other areas on

grounds of national interest. Flexibility of choice is enhanced by the support these countries give to alternative institutional arrangements – the Shanghai Cooperation Organization, the BRICS, and IBSA (Chin 2010).

Before moving towards an assessment of the Middle Powers' role in the G20, there is a need to clarify from a definitional/conceptual perspective the role this category presents in global politics. As Gareth Evans, the former Australian Foreign Minister, notes: “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” (Evans 2011). Yet, given the middle powers differentiation not only from traditional great powers, but also the BRICS and the “rise of the rest,” an attempt to clarify the particularistic meaning and role of middle powers in international relations is a useful inquiry.

TOWARDS THE MEANING OF MIDDLE POWERS

The main objection to deploying the concept of middle powers is the difficulty of operationalizing the concept. The conventional method of defining middle powers has a strong normative bias – middle powers act as “good international citizens,” with a will to act in a responsible fashion (Holbraad 1984).

Such interpretations linger. Still, the emphasis on morality incorporated into such assessments blurs as much as clarifies. Notwithstanding its usage, the notion of good international citizenship is prone to distortions and nostalgic mythology. A closer look at any of the traditional (Canada, Australia, and Scandinavian countries) and the rather more untraditional middle powers (South Korea, Mexico, Turkey, and Indonesia) dispels the notion that they have such an unblemished record in global affairs.

One alternative way forward, which avoids many of the pitfalls inherent in the idealist “good international citizen” framing of middle powers, can be found in the work of Robert Cox (1996). Cox has been among the more trenchant critics of the orthodox formulations of middle power diplomacy. Yet far from discarding the concept, he has argued that attention should be paid to demonstrating its continuing value in a changing world. This means doing a better job of examining the evolving nature of middle power diplomacy through an appreciation of the historical process that led to the development of international organizations.

Because this is “a process not a finality,” Cox cautioned that “the middle power role” should not be evaluated as “a fixed universal” but as “something that has to be rethought continually in the context of the changing state of the international system.” Through this perspective, the focus is transformed from the question of what the middle powers should be doing in their diplomatic activity to how middle powers are situated in the global system. Through such a lens, the overall context or milieu of middle power activities are factored into the classification.

This mode of analysis permits a better placement of middle powers in the international system, but places the emphasis on structure as opposed to agency. How and why middle powers are embedded in the international system is highlighted at the expense of middle power resources and capabilities. In structural terms, the clear gap between the largest of the BRIC states and middle powers come out clearly in terms of such measurements as GDP. As compiled by the IMF the comparative data for 2010 puts China's economy at USD5.8 trillion, highest amongst the BRIC states, followed by Brazil at USD2.1 trillion, and India at USD1.6 trillion. By way of comparison, traditional middle powers and the more non-traditional ones lag well behind. Canada's GDP is calculated to be USD1.6 trillion, Australia's USD1.2 trillion, Mexico's

USD1.0 trillion, Korea's USD1.0 trillion, Turkey at USD735 billion and Indonesia at USD706 billion.

What distinguishes middle powers from both big and small states is a specific, if flexible, form of behavior, with a focus on diplomatic efforts that are concerned with strengthening the international system. Such efforts, as showcased in the context of the G20, place "some limits to the ambition and reach of the powerful" as well as ensuring general compliance of other actors (Cox 1996, 241). If motivated to some extent by status-seeking – a factor amplified by their consolidated presence at the new "high table" of global governance, the G20 – this behavior underscores the backing for middle powers for an extended set of institutional arrangements based on general compliance and compromise as opposed to "might is right" from the big states. Status thus meshes well with national interest.

MOVING BEYOND MIDDLE POWERS:

"ONE SIZE FITS ALL"

Consistent with the critique of the "rise of the rest," middle powers have a form of commonality in terms of their combination of resources, diplomatic opportunities and skills that mark them out as a cluster. In structural terms, GDP is not the only salient quantitative indicator of a country's standing. As China's political leaders continue to declare, China is a rising country, but it is also a poor and developing country. In terms of GDP at PPP per capita, China falls behind not only other members of the G7/8 in the World Bank's 2010 list but a variety of traditional and non-traditional middle powers including Canada, Australia, Mexico, Indonesia, South Korea, Turkey and even Argentina.

Although China, India and Brazil are out ahead, there has been a steadily rising share of world product and trade among the 11 non-G8 members of the G20 as a whole. Between 1980 and 2008, while the G8 combined GDP grew by 470 percent, comprising 54.6 percent of world growth, the GDP of the G11 grew by 722 percent, accounting for 21.8 percent of total world growth. With respect to trade over the same period, the G8 grew by 621 percent and the G11 by 1387 percent, accounting for 37.8 and 21.6 percent shares of growth in world trade respectively (World Economic Outlook 2009) (World Trade Organization). In other words:

- (1) the G20 accounted for 76.4 percent of world economic output and 59.4 percent of world trade growth; and
- (2) even though their share of growth is smaller, the G11 have strongly outpaced the G8 both in GDP and trade growth.

Moreover, the imbalance of economic performance between the G8 and G11 has grown more distinct in the years since the global financial crisis of 2008. Yet estimates of economic size do not translate into diplomatic uniformity. At the core of an expanded conceptual and definitional template is a recognition of considerable stylistic nuance. Unlike big powers, all seem to employ a niche approach in which these states concentrate on specific issues and do so in a differentiated manner. As a result, there appears to be a significant contrast in both contour and tone.

This study highlights the differentiated operation of the middle powers that belong to the G20. As already suggested, 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 specific skills on a niche or functional basis to global problems (Cooper, *Niche Diplomacy: Middle Powers at the Cold War* 1997). This focus on the niche approach is most prevalent in traditional middle powers such as Canada and Australia. This approach, however, also seems to distinguish un-

traditional middle powers from big powers within the G20 as well.

To a considerable extent, the transformation of the international system through the creation of the G20 can be seen as consistent in terms of ends, with the onus on reinforcing collective behavior in support of the international system. Indeed the point that Robert Keohane made in the late 1960s remains valid in the context of the G20 today: “[A] middle-power is a state whose leaders consider that it cannot act alone effectively, but may be able to have a systemic impact in a small group or through an international institution” (Keohane 1969).

The pattern of diplomatic behavior referred to by Keohane has evolved considerably. The emphasis of middle power diplomacy is more technical in nature, as befitting the economic focus. There is a mediation component but it is informal and highly contingent. 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 divisions on issues relating to modes of financial regulation, stimulus versus fiscal restraint, bank levies, exchange rates, monetary policy, and global imbalances. Brazil, Canada, Japan, China, Mexico, South Africa and others opposed the French, German and US proposal for a banking levy which aimed at making banks contribute to a rescue fund for bail-outs in future crises. In a second illustration, Germany, the EU Commission and Brazil aligned in their criticism of US and Chinese exchange rate and monetary policy. China, Japan and Germany found themselves in the same camp and vigorously opposed US demands for political intervention against trade surpluses.

These illustrations demonstrate that while the G8/BRICS have to be taken seriously, they do not occupy the same space completely. Put another way, power is now more diffuse, smarter, and more asymmetric. For example, a country's ability to project power is influenced by how others perceive its legitimacy and credibility, but is rendered vulnerable and volatile by new communications including cyber attacks and social networking.

In developing this extended argument, we make four points. First, the G20 Seoul Summit in November 2010 showed that the G20 is becoming increasingly embedded as the hub of global economic 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 article, therefore, will concentrate in the following on the role of Canada, Australia and South Korea but, as mentioned above, there is some considerable potential for this role to be appropriated by 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 within the evolving pattern of global governance.

THE G20 EMBEDDED AS THE HUB OF ECONOMIC GOVERNANCE

Notwithstanding a host of challenges, G20 has become the hub of global economic governance. Although the G8 continues, and despite the formation of the BRICS, there is no serious debate over an alternative to the G20 as the leaders' forum for international economic cooperation. In September 2009 at Pittsburgh, G20 leaders designated the G20 as the premier forum for international economic cooperation. Before the Seoul Summit, defenders of the traditional hierarchy such as Japan and Italy – very conscious of their diminished role in a larger forum – expressed sentiments that favored a return to the G7/8 while others were prepared to wait and see

if the G20 would work.¹ After Seoul, it is much harder to find countries openly denying the premier status of the G20.

Second, the G20 has emerged as the *de facto* board of directors for international financial institutions. The G20 mandates international organizations such as the IMF and the Financial Stability Board and reviews reports submitted in response to their requests. This arms-length relationship between the G20 and international organizations has developed by design: many G20 countries, especially large emerging economies, are reluctant to grant a leading role to these formal 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.

Third, the support for the G20 among member countries is getting stronger. Member countries now compete for the hosting of a G20 Leaders Summit. Future summits in 2014 and 2015 have already been assigned first to Australia and then to Turkey. 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 closer cooperation among host countries.

The growing strength of the G20 as a forum however does not mean that G20 decisions are effective. In fact, it is easier to find G20 pessimists than optimists. Citing lack of progress on curtailing currency wars and macroeconomic imbalances, major international media repeatedly express disappointment over the outcome of the G20 Summits such as Seoul in 2010. At both Cannes and Los Cabos, the G20 media concluded that progress had been curtailed. As the recession has dragged on through a number of unanticipated episodes — most notably the eurocrisis — it appears that it has become much harder to maintain coordination within the forum. *The Financial Times* went so far as to call the G20 an example of how not to run the world ("G20 show how not to run the world" 2010). Academic skeptics also doubt that G20 countries with different views about the role of government and the importance of political freedom in the economy can reach agreements on economic policy issues.² But it is important to separate the performance of the G20 overall from that of G20 leaders at a particular G20 summit.

A number of reasons may be offered 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).

¹ For an insight into the change of attitude to the G20 by the United States: Andrew F Cooper and Andrew Schrumm, "One Year On: The G20 and Economic Leadership," e-International Relations.com, Center for International Governance Innovation, October 2009. See also Bruce Jones, "Making Multilateralism Work: How the G-20 Can Help the United Nations," *Policy Analysis Brief* (Muscatine, Iowa: Stanley Foundation, April 2010).

² See (Roubini 2011), (Angeloni and Pisani-Ferry 2012), and (Alexandroff, Stuck in Transition: Conflicting ambitions for the G20's Future 2010).

Another reason is institutional dynamics. Once member countries perceived the G20 as the only evident 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.

The supportive and niche-oriented role of Middle Powers in the G20

At the national level, however, the supportive and niche-oriented role of middle powers bolsters the G20 further. 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, the United Kingdom, Canada, and the Republic of Korea (Korea), three are countries that call themselves middle powers: Australia, Canada, and Korea.

At the formative stages of the G20's creation, 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 G20 finance ministers and central bank governors, inviting leaders of developing countries to participate in the 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 (Ibbitson and Perkins 2010).³ Without Canadian leadership, the G20 might not today exist in its current form.

In more recent years under Prime Minister Stephen Harper it is technical leadership that has come 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 has become a significant player in G20 work on global imbalances as a co-chair of the Working Group on the G20 Framework for Strong, Sustainable, and Balanced Growth. At 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.

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

Attending her first G20 summit at Seoul, Prime Minister Julia Gillard of Australia 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 the issue of development on to the

³ See (Ibbitson and Perkins 2010), (Saunders 2008), and (Thakur and Cooper 2005).

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).

As the 2010 chair, Korea took the G20 through two G20 summits in 2010 – Toronto in June and Seoul in November. As *the Economist* points out, Korea's energetic leadership helped turn the G20 into "a talking-shop worth having" (Running the world economy: Finally, a talking-shop worth having 2010). Korea has been active at the G20 from the very beginning. President Lee decided early on to contribute to global discussions including seeking ways to fight the global financial crisis, as Korea was one of the hardest hit victims in the 1990s Asian Financial Crisis. President Lee 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 a 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 with it a stigma, often destroying the credibility of borrowers. What was needed from the IMF was pre-crisis prevention insurance, not just a post-crisis bailout fund. During 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. Korea also sought ways for the IMF lending facilities to link up with various regional arrangements such as the Chiang Mai Initiative (CMI) in Asia.

Korea's G20 presidency also presented an opportunity to bring development issues to the table. With its vivid memories of both development successes and failures, Korea pushed for a development agenda and multi-year action plan, including a pledge for 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's sphere of influence.

The Seoul Summit 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 in some cases slowing global economic recovery sparked, according to some, a currency war, with the US, China and Japan loosening monetary policy to encourage growth through exports. China's currency policy in particular was the target of major concern among its trading partners. Believing that the Chinese government has kept its currency undervalued, the United States and others called for the appreciation of the Chinese renminbi at the Seoul Summit.

Identification and correction of macroeconomic imbalances was another thorny issue that presented itself to the G20. 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 such proposals. In the end, no breakthrough on currency and imbalance issues was reached at the Seoul Summit. But 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 reported that President Lee threatened not to end the meeting until China and other opponents agreed to the deadline.

Another key agenda item was the overhaul of 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 at the November 2010 Summit. Most agree that reform of IMF governance counts among the G20’s greatest achievements so far for the G20 – though implementation remains a problem.

In addition to agenda setting and coordination, the Korean government 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 top government officials from Africa to hear their opinions about the G20 agenda and build 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” or B20 has become a regular event of the annual G20 Summit with notable prominence both the Cannes and especially Los Cabos Summits.

THE CONTINUED IMPORTANCE OF MIDDLE POWER LEADERSHIP

The shift in power 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 the large emerging market countries and the advanced nations discuss pressing global issues on an equal footing, unlike international organizations with either 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 guidance 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, in other words, to neither of these two camps. In the case of the G20, Korea and Australia seem to play the unique middle power role along with Canada, which seems to occupy a rather more straddling position between the two groups.

Although, as Harvard’s Joe Nye notes, power transition describes the central tension in contemporary international politics, power diffusion and diversification creates and drives new forms of power such as soft power and network power (Nye 2011). Power diffusion refers to the spread of power to non-state actors such as non-governmental organizations (NGOs) and private entities. In today’s information age, 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 the contemporary environment of globalization, the interests and ideas of states themselves are becoming more diverse. In fact, they are so varied 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 more fluid across issues. Even within the G20, the conflict between developed and developing countries is not the only source of disagreement. Gideon Rachman of *the Financial Times* 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 sovereignists, and member versus non-member countries (Rachman 2010). The effects of the emergence of all these 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). Even as it is in relative decline, the US in particular can lever the “America’s edge” via its continuing store of innovative, network based capacity. But size and history are double-edged swords with size invoking fear and resentment from other countries and history reducing adaptability and flexibility.

Canada is the only country defined as a middle state that is a member of both the G8 and G20, thus we see it in more of straddling position than say Australia or Korea. 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, such as health and food security. Both of these efforts bring to the fore the recognition of informal, delegated public and private partnerships with key non-state actors, such as the Gates Foundation or the Clinton Initiative.

The case of Korea is interesting for its own image of ascendancy from vulnerability and thus deserves more attention as 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 Korean democracy as the strongest in Asia ahead of that even 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. Korean multinational companies, such as Samsung and Hyundai, are global status brands strong in Asia, but now outside Asia as well. 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 demonstrates 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 scenario of a G2 will undermine the rise of middle powers (Garrett 2010). So far, China and the United States show little evidence of behaving as G2 powers. But any move towards that scenario will decrease everyone else's room for maneuverability including that of middle powers. Middle powers will play some role in a G2 world as traditional middle powers did during the bipolar Cold War but will not find as many leadership opportunities as they would in a more multi-polar world.

The second potential threat is the democratization of the G20, that is, the movement toward increasing the representation of non-member countries at the G20. If any form of constituency system is introduced as a way of increasing its legitimacy, the G20 membership of middle powers is at the most risk. 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 identity conflict within middle powers is another threat to its middle power leadership on the international stage. When a country pursues middle power leadership, it must temper its status-aspirations. But it is not clear that a non-traditional middle power such as Korea has thought through or fully understood this trade-off. One can argue that Korea is able to pursue its middle power leadership because its middle power policy has yet to truly test its strong sense of nationalism. The Korean public may indeed withdraw their support for middle power leadership if they realize such leadership entails the subordination of what they consider as the Korean nation's aspirational goals.

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 of middle power diplomacy is no longer a secondary issue relating to reputation, voice opportunities and niche forms, but rather it focuses on the support for the core agenda of economic global governance. Under such conditions there is a need to move beyond traditional concert-like diplomacy to involve 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, as we pointed out, and extends to structure. At the systemic level, in the transition from unipolarity to multipolarity, the middle is commonly left out. Amid the focus on jockeying between the US, China and the EU, re-location of middle powers continues to operate below the radar in academic circles with the scholarly perspectives stuck largely in 19th and 20th century views. *Inter alia*, the G20 allows an opening up of the lens about the nature of hierarchical multilateralism. 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 21st century. As such this constellation of actors deserves deeper and sustained research.

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