

# The Opportunities and Limits of Global Governance by Clubs

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The aftermath of the global financial crisis has seen an impressive sequence of summits – G20 in London in April, G8 in L’Aquila in July and another G20 in Pittsburgh in September. The fundamental question is: which multilateral forums are best suited for dealing with global problems? Club formats, in particular, have proliferated: from the G7/G8, the Heiligendamm Process and the Major Economies Forum to the G20 – which has in practice already met as the G20plus. The “club governance” label is widely applied to these developments. But what does it mean? What opportunities does club governance offer, and where do its limits lie? How does this approach compare with other forms of multilateral politics? What answers can it offer to the crisis of the established multilateral system? And what role can Germany, the EU and its member states play?

The debate over new formats is closely connected with three long-standing criticisms of the G8: that it lacks legitimacy; that it is ineffective in implementing its own declarations; and that it does not have the power needed for solving problems. On the first point, the group of seven Western industrial powers plus Russia is not regarded as representative of the states of the world and their populations, leaving it open to criticism that it is “arrogant” and without legitimacy. The G8’s ability to actually achieve the goals it sets itself is also called into question, in fields as diverse as economic policy, climate change and development. Thirdly, it has long been held that even if all its members were in agree-

ment and felt bound by their own decisions the G8 on its own would still be unable to solve any major global problem, be it financial, trade, environmental or security.

Various alternatives have been proposed in response to these criticisms. Some plead for a formal expansion of the G8 to a G13, G14 or G16; others call for the G8 to be superseded by the G20 or some other forum, for example a “Global 25” (International Task Force on Global Public Goods 2006). Other observers, on the other hand, look to smaller formats and speak of a “virtual G2” (United States, China), to which yet others – such as British Foreign Secretary David Miliband – would like to see the European Union added (G3).

## Functions of the G8

What this discussion overlooks, however, is that whether or not it has exploited its potential adequately in recent years, the G8 still has important functions of the kind that are typical for multilateral forums. Firstly, the G8 can – like no other forum and certainly better than the General Assembly of the United Nations – draw enormous political and media attention to particular issues (*agenda setting*) and take them from the technical plane to the level of heads of state and government. In the past this has occurred, for example, with the topics of global warming, energy and food security. Globally operating NGOs share a considerable interest in this function, which allows them to use the setting of the annual G8 summits as a platform for their own interests. Secondly, the G8 can take on a *pioneering function* and encourage others to move in a similar direction. On climate change and poverty, developing and newly industrialised countries and NGOs positively demand such a role for the G8. Thirdly the G8 can serve as a *pathfinder*, identifying objectives and solutions that others can follow but which ultimately have to be decided by other bodies – for example the United Nations – or placed in a specific regulatory framework. Fourthly, the G8 is fundamentally in a position to promote concrete activities and programmes and to mobilise the corresponding resources. This occurs for example in the context of *capacity-building* measures, be they in fighting terrorism or money laundering, in nuclear non-proliferation or promoting public health.

## Global Dialogue Forums: G8plus Formats

The most important function turns out, however – fifthly – to be the role of the G8 as a *global dialogue forum*, as the summit at L'Aquila underlined yet again. Alongside the G8 participants themselves nineteen other states and various international organisations were represented in various

discussions. These G8plus formats have come to largely determine the agenda, not only of the summit format itself but also the annual meetings of foreign, development, interior and agriculture ministers, where increasingly numbers of participants are at the table too. In other words, the transformation of the G8 is already well under way. The G8 is increasingly transforming from an *actor* setting out to shape politics itself into an *arena* with changing participants where standpoints are exchanged and joint declarations tussled over.

Three formats have become apparent: Firstly, the G8's dialogue with selected African states and the African Union (in diplomatic language also called "Africa Outreach"); secondly, since 2003, the G8's discussions with the G5 states of Mexico, Brazil, South Africa, India and China, which gave rise in 2007 to the Heiligendamm Process; and thirdly – for the first time in L'Aquila – meetings in the framework of the Major Economies Forum (MEF), which was initiated in 2007 by US President George W. Bush and continued by his successor Barack Obama. The MEF, which concerns itself with climate and energy questions, comprises the G8 and G5 states together with the EU, South Korea, Indonesia, Australia and Denmark. The Italian G8 presidency also extended invitations to Egypt (to the G8plusG5 meeting) and Turkey, Spain and the Netherlands (to a session on food security).

## The World of the Clubs

Through this expansion of formats the G8 – for lack of problem-solving powers of its own – contributes to a proliferation of "clubs" that are becoming an increasingly important structural element of international politics alongside the established international organisations. These clubs are neither regional organisations nor global regimes but informal or weakly institutionalised gatherings of state representatives with limited participation. Alongside the

G8plus formats, one of the most important forums of this type is the G20, whose political weight grew at the expense of the G8 in the course of the global financial crisis and is regarded by observers and participants alike as *the* future body for dealing with other global problems too.

Beyond that there are various issue-specific club formats such as the Financial Action Task Force (FATF) to combat money laundering, the Financial Stability Board (since 2009 successor to the Financial Stability Forum), the International Energy Forum (IEF) of major energy producing and consuming countries, the G4 (United States, EU, Brazil and India) in the context of the Doha world trade talks, and the Middle East Quartet (United States, EU, Russia and United Nations). Forums of this kind also exist at the regional level: for example the ASEAN Regional Forum (ARF) with its twenty-seven participants or the ASEAN plus three format established in 1997, which includes Japan, China and South Korea alongside the ten ASEAN member states. New inter-regional clubs without the involvement of Western states are also emerging (South-South cooperation). These include the Shanghai Cooperation Organisation (SCO) founded in 2001, which despite its name has more the character of a club and is essentially dominated by Russia and China. Another variant is the IBSA Dialogue Forum, through which India, Brazil and South Africa have been cooperating since 2003. In June 2009 the first BRIC meeting took place, with the heads of state and government of Brazil, Russia, India and China getting together to discuss global policy issues. The ultimate significance and role of such gatherings has yet to become clear.

These examples demonstrate the broad range of club formats. Some are designed to be permanent and more strongly institutionalised (G8, G20, ARF, SCO), while others are established to fulfil a particular purpose. The agenda also varies considerably, from very concrete objectives to a rather

vague message of being responsible for the most important global issues.

### **What Is Club Governance?**

Whether these formats can be regarded as *club governance*, however, depends on the extent to which they aspire to provide governance services, whether in connection with climate protection, the global economy, counter-terrorism or Middle East peace. *Club governance* means groups of states (sometimes with the involvement of international organisations) explicitly exercising governance functions beyond the immediate circle of actual club members, in one or more fields of policy. The functions involved may include providing information and expertise, mobilising resources, setting norms and standards, carrying out concrete measures, or establishing political frameworks (e.g. regimes) to deal with a specific problem. Although this occurs through bodies or fora with selective membership purporting to act for the “common good”. This lofty goal, however, says nothing about either the effectiveness or the problem-solving capacity of such fora.

This definition of the concept – which is often used vaguely in the literature – makes it clear that not every group of states or club actually exercises or wishes to exercise club governance. On the contrary, many formations are better understood as alliances (NATO), coalitions (Operation Enduring Freedom), lobbies or pressure groups (the G33 group in the WTO set up in 2006) or cartels (OPEC) that in the first place pursue the interests of their members and are less concerned with supplying collective goods. Furthermore, there are numerous informal meetings and “groups of friends” operating within the UN framework – unlike the G8 and G20. One example would be the G77, which now covers 130 developing and newly industrialised countries and sees itself as a “lobby” for the Global South within the UN.

## Club Governance and Other Forms of Multilateralism

Club governance in the sense defined here is a specific method of global or regional political management, distinct from other forms of governance. With respect to the degree of institutionalisation, club governance takes a “middle position” between two fundamental types of multilateral politics. The first is the *institutionalised, formal multilateralism* found above all in the United Nations, the WTO and regional organisations, including the EU. This type is characterised by an inclusive membership structure, regulated procedures and consensus-orientated decision-making processes, and produces issue-specific regimes and/or internationally binding legal arrangements – often with corresponding sanction mechanisms (e.g. executed through the UN Security Council or the WTO dispute settlement panel).

The opposing model is *selective multilateralism*, practised by a grouping of like-minded parties pursuing particular interests or values (“Coalition of the Willing”), often focused on dealing with particular concrete problems. This form is selective in terms of both its participants and its agenda. The spectrum here ranges from ad hoc coalitions and informal networks of government bureaucrats through to lobbying and pressure groups. These forms of cooperation can be larger or smaller, tighter or looser; in individual cases they may be directed explicitly against others or set themselves apart from other groupings. In all cases institutionalisation is kept weak in order to uphold the informality and flexibility of the format. Often such formats are dominated by a particular state that surrounds itself with allies. This mode applies especially to numerous US initiatives under President George W. Bush, such as the Iraq War coalition, the Proliferation Security Initiative or various counter-terrorism formats (including Operation Enduring Freedom and the Trans-Sahara and East Africa Counter-Terrorism Initiatives) – true to the motto of former Defence

Secretary Donald Rumsfeld that “the mission determines the coalition”. But the “Bolivarian alliance” (ALBA) initiated by Venezuela in Latin America also follows this pattern of selective group formation.

The transition to club governance is certainly fluid. In some cases such formats may give rise to a club that asserts greater powers and opens its membership to others, even at the risk that this might endanger the consensus in the existing group.

But for club governance the criterion is less the question of whether applicants are like-minded, and much more whether they are relevant for dealing with a particular problem. Thus actors possessing the resources to provide collective goods may be relevant, as may those whose involvement is of great importance for the legitimacy of particular measures. The expansion of the old G7 to include Russia already followed this principle.

## Strengths and Weaknesses of Club Governance

In order to tease out the advantages and disadvantages of club governance it is worth conducting a cursory comparison with the other two types of multilateral politics. In view of the variety of different forms this must by nature occur in a strongly generalised form, if at least a few trends are to be picked out. The significant aspects for assessing such forms of global governance are: the legitimacy and effectiveness of decisions, the coherence of the political approach, and the possibilities for mobilising resources.

**Legitimacy.** This criterion encompasses the question of participation (who is involved in a political decision), the question of fair and transparent processes, and the question of acceptance of political decisions. In all three respects legitimacy is generally greatest in institutionalised multilateralism, especially the United Nations system and regional organisations. The limited number of participants dictates from the outset that the legitimacy of selec-

tive multilateralism and club governance formats will be considerably weaker. This applies all the more if the circle of participants – as in the case of the G8 – is widely regarded as unrepresentative and geographically skewed. Furthermore, the desired informality is necessarily associated with a lack of transparency, which can impact negatively on acceptance among those who are affected by the decisions or measures. In domestic politics this generally strengthens the executive and systematically weakens the legislative, which is barely in a position to follow the informal discussion and decision-making processes at the international level, still less to control them.

**Effectiveness.** This dimension relates to the extent to which a body is in a position to achieve the objectives it sets itself. Here the situation is broadly reversed: whereas the UN system is very cumbersome and ineffective when it comes to getting things done, the selective formats are in a much better position to pursue their (generally) restricted objectives. Focusing on “like-minded” partners certainly makes this easier – even if frictions and differences that can impair effectiveness do arise over time, especially in alliances and coalitions. The outcomes of club governance, with its concentration on “relevant partners”, could turn out to be a good deal more favourable than with institutionalised multilateralism, depending on the particular format and agenda.

**Coherence.** This concerns the question of whether decisions taken are broadly free of contradictions and coordinated with one another. Here too, the basic rule is: the larger the format and the wider its agenda, the more difficult it is to conduct coherent policies. This is illustrated very well by the UN system, and by most regional organisations. Furthermore, coherence is in most cases purchased at the lowest common denominator. With selective multilateralism coherence is a good deal stronger: as a rule alliances act more coherently than international organisations. Here too the

club formats occupy a middle position. Because participation is relatively limited there is certainly a chance for coherent policy. But because – unlike in a “coalition of the willing” – contradictory interests often have to be reconciled there is a danger of contradictory formulaic compromises.

**Resource mobilisation.** If political decisions are to be implemented financial and personnel resources have to be mobilised. So the question is: which format is most likely to persuade a participating government to invest its own resources? Here too the result is relatively clear. Selective formats have access to considerably greater resources, at least in comparison to the funds supplied to the United Nations for example. This is especially true when individual states take on a (hegemonic) leading role (e.g. the United States in the “global war on terror”). In the case of club governance the potential for mobilising resources should be greater too, because the actors expect a more efficient and controllable use of resources, and feel their interests are better safeguarded.

These four aspects should not be regarded as independent from each other; they reinforce each other positively or negatively. And this analysis says little about the actual capacity to solve problems. One can argue that selective multilateralism may operate especially effectively and coherently, but whether it really makes a constructive contribution to dealing with global problems in the examples cited is debatable. Conversely, institutionalised, formal multilateralism may suffer considerable weaknesses, but with respect to the legitimacy of global politics it also possesses clear strengths that neither club formats nor still less alliances or interests groups can demonstrate. This comparison also demonstrates that the strengths of club governance – despite the obvious problems of G8 and G20 – are to be sought in the first place in the fields of effectiveness, coherence and resource mobilisation. But whether this potential gets used depends

ultimately on the willingness of the participants to agree on common solutions and implement them politically, legally and institutionally. Experience to date with the G20 summits has shown that while the former may happen under the pressure of a massive economic crisis, the latter is still woefully inadequate.

### **Club Governance and the Crisis of the Multilateral System**

Global governance today is characterised by the simultaneity of the three described types of multilateralism, with a particular mix in each specific policy area. At the conceptual level the different approaches can certainly complement one another. But in political practice they compete for political attention, concepts and resources, which does not make tackling global problems any easier. At the same time we find in many fields – from security through economic and financial policy to questions of climate and energy – largely disconnected parallel processes in different formats. This results in duplications, proliferating summits and communiqués, and an overabundance of funds, initiatives and programmes – inside and outside the UN system.

To that extent global governance is characterised by highly fragmented structure that is shaped by different modes of managing and steering political processes. Driven by the club-forming process, informalisation is a growing trend. This can be recognised especially clearly since 2001 in security policy (for example non-proliferation policy or counter-terrorism). At the same time it has become easier for states to go “forum shopping”, seeking out formats that conform to their basic underlying interests (and if necessary founding new formats), rather than operating within an existing institutional framework and campaigning for their position there. This phenomenon of side-stepping into clubs and the associated transfer of global political processes threaten to undermine the established multilateral system and exacerbate its crisis.

That said, this trend is a symptom rather than a cause of the “systematic erosion” (John Ikenberry) of the authority and capacities of international organisations and regimes.

Three developments have been largely responsible for this process of erosion since the beginning of the twenty-first century. The first relates to the political and economic rise of new emerging powers, which strive for greater status in international politics, demand a greater say (e.g. in the UN Security Council, at the WTO, in the IMF and the World Bank) and call into question the traditional written and unwritten rules in international organisations. Sometimes they even abstain from global arrangements and regimes that have no chance of meeting their goals without them (e.g. a climate regime without China and India or global energy policy without Russia, Saudi Arabia and Brazil).

The second development was the Bush Administration’s contempt for established multilateral forums – preferring instead unilateral action or the formation of “coalitions of the willing”. This orientation is seen most clearly in security policy (Iraq, non-proliferation, counter-terrorism), but can also be identified in questions of international trade and climate and energy policy. This instrumental stance towards multilateral forums quickly found imitators, especially in the Russian and Chinese leadership.

Thirdly, one can observe an ongoing “internal crisis” of the established organisations and regimes characterised – regardless whether we are talking about the UN, WTO or IMF – by a massive backlog of reforms. The key issues are cumbersome decision-making processes, consensus-finding at the lowest common denominator, deficits in implementing decisions and sanctioning breaches, considerable deficits in policy coherence, and highly specialised technocratic regimes which lack attachment to a political meta-structure and turn out to be poorly suited for dealing with global problems. These three developments

have reinforced one another and ultimately encouraged the search for alternative formats.

The concept of club governance does indeed offer opportunities to overcome the outlined crisis. But that would presuppose that such formats – especially the G8, the G8plus formats and the G20, but also the regional groupings of states – place their activities at the service of the established organisations and regimes. The decisive question is whether these formats are used to counteract the three developments described above. That would first require club governance to embrace the growing aspirations and demands of the “new” powers and persuade them to participate constructively in tackling global issues. Secondly, the United States and other major powers must be more strongly integrated in multilateral processes. Although this should be considerably easier with the Obama Administration, structural factors remain in existence (for example contingent on existing power resources) that will sometimes lead the United States (and others) to insist on a special role and corresponding privileges. To what extent the United States, China, Russia (or also India) go along with such multilateral processes will probably depend not least on whether club governance turns out to be an effective mechanism for mediating between these states and thus facilitates effective action on global problems. To illustrate with an example: all efforts to tackle climate change are doomed to failure unless substantial agreement is reached with the United States, China and India.

Thirdly, we must ask to what extent club governance can contribute to removing the obstacles to reform in the international organisations and helping to make single-issue regimes more effective. This applies equally to the reform of the Security Council, the question of voting rights in the IMF, the conclusion of the Doha trade talks, strengthening the non-proliferation regime, and a post-Kyoto climate agreement. As “global mediating committees”

club formats can be used for informal negotiations, to search for compromises and to promote decision-making processes that have to take place in other frameworks. This applies especially to G-formats that tackle a range of different policy areas where there is also the possibility – unlike in single-issue regimes – to tie up larger packages through cross-bargaining. This applies for example to the overlapping fields of trade, technology, development, agriculture, energy and climate policy, all of which are institutionalised in different fora and regimes.

### **The German and European Role**

Systematic and reliable integration of the “new powers”, countering unilateralist tendencies and selective initiatives and step by step resolution of the reform backlog in the multilateral system are the overarching goals that Germany, the EU and its member states should be pursuing in both the G8plus formats and in the G20. Unlike others, Europe has a vital interest in strengthening the multilateral system because it otherwise risks losing more and more influence in world politics. Furthermore, the EU places more priority than others on legal regulations that require a binding institutional framework – which most clubs are not capable of creating.

From this perspective the formation of ever new groups of states and the shift of capacities into such bodies is to be seen critically. The club formats represent a special challenge for the EU Council Presidency and the EU Commission, which tend to enjoy only “guest status” and generally have to make do with a secondary role. Moreover, in such formats the larger EU member states tend to dominate since they see themselves as capable of influencing world politics in their own right. This especially affects Germany, which – unlike France and United Kingdom – does not have a permanent seat on the UN Security Council and therefore has an interest in being present and engaged in influential

club formats. In the past this constellation has often led to rivalry and jostling for influence between the European partners, which has done nothing to enhance Europe's influence. Just because more and more Europeans, most often accompanied by the EU Council Presidency and EU Commission President, take a seat at the table – like Spain and the Netherlands at the G20 summits – does not automatically enhance the EU's influence. If the politicians and diplomats – including in Berlin – complain about the growth and the size of these meetings, one must object that Europe itself has the solution. If the club format is to be deployed strategically, the Europeans will not be able to avoid an internal debate about their positioning and intervention in such bodies. When the Lisbon Treaty comes into force this could become a key task for a future President of the European Council and for the High Representative for the Common Foreign and Security Policy – both for internal coordination as well as for representing Europe in the various clubs.

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ISSN 1861-1761

*Translation by Meredith Dale*

(English version of  
SWP-Aktuell 47/2009)

The translation and publication of this comments was made possible through the generous support of BP Europe and the collaboration of the Forum Ebenhausen.