**The G20 After the Financial Crisis: The End of Which Universalism?**

The post-2007 crisis has brought the G20 into the center of global financial governance. The immediate impact of the G20 as a 'crisis breaker' was palpable: it served as a key mechanism for generating both extensive domestic stimulus packages and promises of new resources for the International Monetary Fund (IMF), the World Bank (WB) and other development institutions. However, so far the members of the G20 have only made moderate progress toward financial reform. In the aftermath of the crisis, the interplay between the G20's agenda and resolutions and national governments' responses to strengthen their economies has produced a fragmentation of financial regulatory reform along national/multilateral lines. It is now clear that challenges to the international reform agenda led by the G20 have increasingly emerged (Helleiner 2010). Some of the most relevant challenges stem from the implications of its 'locked in' membership, as well as of its alleged legitimacy.

This paper analyzes the ways the current G20 structure and delivery processes are indicative of the emergence of a more decentralized framework for international regulatory politics, resulting from the translation of normative tensions within the G20 discussions into fragmented policy stances at the multilateral and national levels. This paper argues that the increased presence of the G20 in defining what constitutes a 'viable' and 'legitimate' global arrangement in today's financial governance is creating important dilemmas around the notion of universalism in two very distinct fronts. First, the G20 contests the idea of universal inclusion, as historically endorsed by the United Nations' (UN) agencies. The G20 is not so much a forum of inclusion as a forum for acknowledging emerging powers: economic weight is the main driver for recognition, as opposed to democratic ideals or development targets. But at the same time, the G20 partially challenges the idea of neoliberal universalism,[1] since it has at least recognized the need to move away from one-size-fits-all recipes for addressing financial volatility. The G20 members have by now agreed on the importance of providing policy spaces for more diffuse approaches and for adapting policy tools according to domestic needs.

So what does the G20 tell us about the future of economic and financial globalization? It confirms that the core of capitalism is intact, because in its current form, the G20 does not represent a radical departure from the IMF or WB approaches for strategizing post-crisis responses and comprehensive reforms. Nonetheless, this paper suggests that the work of the G20 should not only be assessed in terms of the mechanisms and discourses it promotes, but also vis-à-vis the possibilities it creates for the diffusion of global financial authority– despite the exclusion of participation of non-members. The ongoing discussions within the G20 are simultaneously prompting the development of external arenas of policy autonomy and of parallel (and often unilateral) regulatory tracks, especially in emerging market economies. Although this situation further reinforces previous indications of the ways the concept of universal inclusion is becoming less relevant in regulatory politics, the G20 has at least set the stage for emerging economies to finally make their mark on global policy.

To illustrate these arguments, this paper first discusses the tensions emerging from the G20 limited membership and the ways the move of the G20 to the center of global governance has come at the expense of universalism in financial regulatory politics. The second section examines how the G20 has served as a vehicle for emerging powers for trying to reform the

prevalent international financial system by disseminating their domestic perspectives within multilateral discussions. This section pays particular attention to the outcomes of the Seoul summit, which registered the importance of the emerging economies in the G20. Similarly, the growing influence of these economies in affecting institutional outcomes is evident when the current lines of delegation and legitimization of post-crisis policy approaches between the G20 and the IMF are analyzed. Thus, the third section examines how increasing tensions in regulatory perspectives within the G20 framework have translated into an incremental but contested reexamination of policy stances at the IMF, in particular regarding the use of capital controls.

**Post-2007 financial governance, the rise of the G20 and implications for universal inclusion**

The urgent demand for the coordination of financial regulatory approaches during the global financial crisis stemmed from the fact that despite the growing interconnectedness between distinct financial markets over the past decade, the policies designed to regulate them continued to work mainly at the national level. The establishment of the G20 in the wake of the financial crisis as a prominent forum for the management of financial globalization represented a major effort for trying to coordinate regulatory responses at the international level. As the G20 has sought to restructure global financial management, it has both updated existing institutions (with the transformation of the Financial Stability Forum into the Financial Stability Board in April 2009) and insisted on expanded membership (with BRICS[2] economies as full members of both the FSB and other major standard setting bodies) (Hurrell 2010).

During the early international responses to the crisis, the G20 agenda was bound not so much with the implementation of specific norms as with timely process and delegation of responsibilities for dealing with financial volatility in the post-2007 economic order. For instance, the 2009 Pittsburgh communiqué made explicit statements about the obligations of external deficit and external surplus countries to rebalance their economies for the good of the global system. In addition, the G20 had no compunction about telling established multilateral institutions such as the IMF what they should do to help revitalize and update financial regulations (Garrett 2010). The G20 is perhaps the most prominent example of what analysts and policymakers have described as a complex mosaic of concert-like groups that are emerging in a process of 'global á la cartism' (Hurrell 2010) or 'messy multilateralism' (Hass 2010).

For authors such as Heine (2010), the G20 summits represent a transition from 'club' to 'network' diplomacy. Others such as Garrett (2010) and Steinberg (2010), go further to argue that the G20 is globally representative yet small enough to facilitate consensual decision-making. The G20 does show traits of a networked approach through its links not only to international financial institutions (IFIs), including the Financial Stability Board (FSB), but also to other layers of technical experts in both the public and the private domains (Cooper 2010). The increasing density of the networks involved in the G20 working groups and surrounding informal discussions reflect extensive technical expertise combined with contrasting perspectives vis-à-vis mechanisms for financial regulation. This is evident both in the G20 internal functioning and through 'outsourcing' of its work to the IMF and the FSB. Nevertheless, the G20 is essentially a self-appointed group, established by the major industrial powers in an effort to bridge some essential economic (and to a certain extent public) demands between G7 members and the emerging economies of the global South.

The G20 is by and large 'reforming from the top' (English et al. 2005) which indicates that the group has not departed from traditional pre-crisis mechanisms for international governance such as elite or top-down multilateralism. As Payne (2010) remarks, no fewer than 150 of the 192 countries of the world[3] are excluded from the G20 (730). The structure of the G20 remains one of the most debated criticisms since the G20 membership continues to replicate hierarchical discourses and processes in global policy-making. As Cooper (2010) suggests:

> The composition of the G20 around the old and new 'bigs' is faulted for its exclusionary principle and practices. It represents not a new form of expanded inclusion so much as an embedded form of institutional exclusion, with distinctive privileges of membership (742).

Meanwhile, the G20 (2010a) claims that its "economic weight and broad membership gives it a high degree of legitimacy and influence over the management of the global economy and financial system." Although in its current makeup the G-20 in principle is able to make decisions that are representative of more than 80% of the world's population and GDP, membership through economic representation is only one of several criteria that account for legitimacy of this international venue. At the same time, although economic weight seems to be the main justification for G20 membership, the notion of 'economic weight' is really a reference to power: the notion that a nation matters to the stability of the global order, that it is 'systemically important' (Payne 2010). This suggests that the expansion from the G7 into the G20 responded to the perceived needs of advanced economies that effective global governance required the inclusion of those countries that were now key players in determining the future direction of global economic growth and financial stability. The global financial crisis was the first time that the developed world saw their fate increasingly depending on the growth of emerging economies and on possible capital injections from BRICS countries (Gallagher 2009; Chin 2010).

The claim that broad 'economic weight' implies 'legitimacy' for decision-making reflects the new contours that structural decisions are taking in financial governance in the post-2007 period. Arguments based on morality or universal inclusion for justifying decisions in multilateral venues, have been replaced by claims largely made "on the grounds of political expediency" (Payne 2010). At the same time, the G20's ability to initiate debates and commitments on complex financial matters, even if the processes have reflected incompleteness and fragmentation, has shifted the focus of attention from legitimacy at the international level as means for organizing governance matters to economic power as an entitlement for participating and shaping the direction of post-crisis mechanisms in finance.

Moreover, the G20 is also subject to criticism for not being representative enough, due to the processes employed by which non-G7 members were selected. The selection process was arbitrary (mainly led by the US Treasury and the German finance ministry) and did not follow objective clear criteria, such as GDP or share of world trade. Nor did it attempt to achieve any regional balance. For this reason, the G20 is lopsided in geographical terms (just like the G7), 'poor' countries are not represented at all, and at the institutional level the group is not linked to

the United Nations, which is arguably one of the most legitimate and recognized forums in the international political system (Steinberg 2010).

Without question, the G7 countries avoided going through the UN at the launch of the G20, even though in 2008 the UN Secretary General Ban Ki-moon offered to turn a UN Financing for Development summit scheduled for Doha into a UN summit on the financial crisis at UN headquarters in New York. When this offer was declined, however, the UN was gradually marginalized from the G20 process – a position reinforced by the 'return' of the IMF (Cooper 2010). Although the UN Secretary General attended the first Washington G20 summit, a significant distance appeared between the UN and the G20 approaches. For instance, just days before the first G20 summit, Ban focused his attention on the need for "inclusive multilateralism", to protect the well-being of the developing countries, as well as major UN development goals (Ban 2008).

**The Seoul summit and emerging economies**

Despite the political struggles involved in current G20 discussions in trying to move beyond generic principles into detailed policy proposals – and without leaving aside valid concerns about the limitations that the G20 faces already for upcoming summits – the Seoul summit placed some new topics on the G20's regulatory agenda. The introduction of new procedural and reform matters exposes the ways the work of the G20 partially challenges the idea of neoliberal universalism. This summit was the first chaired by a non-G7/G8 economy and it was of particular significance the G20 decision to prioritize "the reflection of the perspective of emerging market economies in financial regulatory reforms" (G20 2010b).

The Seoul summit will likely be remembered then for registering the importance of the emerging economies in the G20, both by virtue of its non-G8 locus and by the shift in the content of its agenda (Heinbecker 2011). For instance, thanks mainly to Korea's leadership, 'development' in the sense of economic growth rather than the traditional donor-recipient paradigm, was added to the G20 agenda. In addition, the Seoul summit served to ease the tensions between the UN and the G20. As South Korea sought to expand the G20 agenda, the UN Secretary General suggested that the two institutions are different and complementary not competing and contradictory (Kim 2010). According to Cooper and Helleiner (2011), during the Seoul Summit, Secretary General Ban accepted a 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' in terms of issues of international economic governance.

Moreover, possible ways to overcome the contested issue of the lack of G20's legitimacy due to its 'locked in' membership were partially addressed. The current G20 members have still not agreed on substantial changes in the group's make-up, but at least the Seoul meeting established a mechanism for non-member participation. Under Korean leadership, it was agreed that each summit host could invite up to five guests, of which at least two must be from Africa. The Sherpas also "…set a tradition that the invitations should be made on a consensus of G20 members, not in the host country's own desire" (Cho 2010). Therefore, these new mechanisms of engagement, combined with the presence of the leaders of seven international organizations[4] at

the Seoul summit, suggest a more formal, yet partial, effort to respond to the issue of participation of non-members.

The UN Secretary General Ban Ki-moon reminded the G20 leaders at Seoul, that while the UN welcomed by then all the decisions to address financial an economic matters,

> These consultations should be inclusive, transparent and internationally coordinated. Thus, [G20 leaders'] decisions and measures will have legitimacy. Whatever important institutional decision should be legitimized by institutional decisions by the UN or other related international organizations (interviewed in Kim 2010).

At the Seoul meeting, the G20 leaders endorsed IMF reforms that will give emerging and developing nations a greater say in the institution. China will become the third-largest IMF shareholder, bypassing Germany, as part of an overall six percent transfer of voting power to dynamic and underrepresented economies (Heinbecker 2011). This will be decided and finalized by 2013 through the institutional decision of the IMF. The IMF welcomed this decision and promptly approved it in an IMF board meeting. For Ban Ki-moon, since the IMF is part of the UN family, this represented an important step forward for the G20 in making more inclusive and internationally coordinated decisions (quoted in Kim 2010). For emerging economies, these reforms at the institutional level provide the opportunity to cultivate policy spaces for addressing the need to discuss more flexible mechanisms for economic realities – such as the flow of diverse financial transactions – that are not necessarily centered on US or EU reform agendas.

The participation of emerging economies on ongoing reforms at the IMF – such as the increase of IMF funds over the last two years and the introduction of more flexible credit mechanisms – have provided opportunities for these nations to intervene in global governance mechanisms as 'reformist' and not 'revisionist' states (Cooper 2010). Yet, this opening contains an unwritten but obvious G7 demand: for the emerging economies to act as 'responsible stakeholders' in the international system (Garrett 2010; Cooper 2010). But, as Heine (2010) suggests, the prevalent international system is formed by certain structures in which, by definition, emerging powers previously played a minor role or none at all. These economies now aspire to intervene more forcefully in today's global governance, independently of their international perception of 'responsible stakeholders.' For example, regarding past and ongoing IMF reforms, emerging economies while willing to assist, are not going to lose the opportunity to ensure more serious reform of the institution beyond increased quota or participation in defining the conditions for borrowing arrangements (Woods 2010).

At least in principle, the Seoul Consensus promoted a larger room for domestic policies. Rather than seeking to impose a uniform 'top down' solution, it postulates that "there is no 'one-size-fits-all' formula for development success and…developing countries must take the lead in designing and implementing development strategies tailored to their individual needs and circumstances" (G20 2010c). This represents a marked departure from the normative policy recommendations of the G-7 pre-crisis era of 'market universalism' or 'hyperglobalization' as Rodrik (2011) refers to it, where neoliberal norms of a uniform policy prescription of deregulation and market-led growth prevailed. Moreover, the G20's recognition of the importance of domestic policy space is a timid yet notable step in financial reform at the global level since it may greatly benefit developing and emerging economies. In particular, as Rodrik

(2011) discusses, excessive focus on international harmonization has sidelined the specific interests of developing nations.

In relation to policy options that may take into account the economic realities of emerging and developing nations, the Seoul summit put the issue of cross-border capital flows on the G20 agenda, advocating the creation of "financial safety nets" to safeguard smaller states from volatile financial flows and to obviate the need for the self-insurance of large reserves, which has added to the global imbalances problem (G20 2010d). At the same, the G20 Seoul Declaration (2010d) seems to reinforce the prospect of increasing emerging markets participation by referring at various points to the need to pursue "further work on macro-prudential policy frameworks, including tools to help mitigate the impact of excessive capital flows." Although the focus on macro-prudential tools is now familiar within the G20 framework, the G20 had not addressed until the Seoul summit the implications of cross-border capital flows as part of the issues that need to be included in the debates on counter-cyclical measures.

**Capital controls, the IMF/G20 nexus and multilateral/unilateral policy tracks**

In the aftermath of the global financial crisis, capital is flowing back to emerging and developing economies. This situation has been driven not only by prospects of increasing output growth, but also by carry trade practices favoured by the prevailing low interest rates in advanced countries. This surge in foreign capital has led to a renewed debate within academic and multilateral venues regarding the legitimacy and feasibility of implementing controls on inflows. In the last two years, these types of controls have been implemented in diverse emerging markets (including G20 members such as Brazil, South Korea and China) and developing economies for trying to avoid an overheating of their domestic financial systems, unacceptable credit risk taking and excessive exchange rate volatility.

Examples of recent capital controls include taxes on short-term inflows, unremunerated reserve requirements, quantitative limits and time requirements. Some of these measures, if not unthinkable, would have been frowned on as recently as a decade ago. Yet, the IMF leadership and staff have chosen to now view these measures in a much more sympathetic way than they did during the 1990s. In February 2010, an IMF staff position note startled several observers by declaring that capital controls are now "justified as part of the policy toolkit" (Ostry et al. 2010). The decision of the G20 finance officials to emphasize cross-border capital flows on the Korean summit regulatory agenda provides further evidence of the new international legitimacy of discussions about this issue (Helleiner 2011). With more emerging market countries looking for guidance on how to handle the surge in capital inflows – and now increasingly apt to go in divergent directions – the intensity of the regulatory discussions about capital controls, as well as the density of networks involved, have been increasing at an incredible pace in the last year.

In addition, recent press releases and official documents summarizing multilateral debates within the G20 have started to mention that the IMF needs to take on the role of regulating capital controls through some more formal guidelines on the subject. The issue has at least partially arisen because some G7 nations have manifested concerns about the unilateral and ad hoc responses of emerging economies to the situation of global imbalances. President Sarkozy has for example mentioned the need for IMF coordination on international capital flows, implying that this might be amongst the key issues during France's presidency of the G20

(Hollinger and Giles 2011). More recently, the G20 (2011) has issued a communiqué, which mentions that for improving the resilience of the IMS, members have to address how to avoid disruptive fluctuations in capital flows

The G20 communiqué also states that the G20 will benefit from the work of OECD on capital flows, and from contributions of other relevant international organizations such as UNCTAD (G20 2011). This statement raises some questions about a more explicit direction that the work of the G20 on capital controls will take in the near future. The two organizations that are mentioned in the communiqué present distinct approaches regarding regulatory alternatives for capital controls; while the OECD's main concern is to provide a framework for countries progressively to remove barriers to the movement capital – thus financial liberalization remains the end goal – UNCTAD has for a long time deemed capital controls to be a useful instrument in several countries and has also supported the use of controls on outflows.

Yet the OECD, at least in principle, allows for the temporary use of capital controls as a safeguard measure. As Gallagher (2010) highlights, in many respects the OECD has the most expansive investment rules, as they cover all types of capital flows. The OECD, however, also has the broadest level of temporary derogation. For example, it may allow a member to put in place temporary capital controls to stem what may "result in serious economic disturbance in the Member State concerned" (OECD 2009). Two legally binding 'codes' govern capital flows in OECD countries: the Code of Liberalization of Capital Movements and the Code of Liberalization of Current Invisible Operation. The OECD Secretary-General Gurria (2011) considers then that the OECD has much to offer for the coordination of multilateral action to promote 'orderly' capital flows: "[OECD] has accumulated ample experience on capital controls and would like to share this experience with our G20 partners in order to improve international cooperation." OECD already plays an active role supporting the G20 with analysis, data and policy recommendations. There is now then the possibility that future developments in regulatory politics vis-à-vis capital controls may draw upon the guidelines provided in the OECD Capital Movements Code, which is seen by the OECD as "a key multilateral legal instrument to set basic rules of the game for capital controls during a period of remarkable progress in financial integration" (Gurria 2011).

UNCTAD, like other UN agencies, has traditionally supported through its publications[5] for developing and emerging market governments to have the possibility to undertake capital account management techniques – such as prudential management of foreign borrowing and imposing unremunerated reserve requirements – as part of their development and risk management strategies. But an interesting recent development in multilateral governance is that since late 2009, UNCTAD and OECD have started to produce joint reports for the G20 on investment measures. This could have an impact in the long term on some of the current perspectives of these two organizations regarding the use of capital controls, although most probably not to the same extent in both institutions. Thus, while it seems that at the international institutional level it is now recognized that capital flows can be destabilizing in emerging markets since they prompt currency appreciation, formation of asset bubbles and volatility, there is no explicit recognition for helping nations to enforce controls on inflows when they deem it appropriate to implement these measures. The international networks that deal with this topic, as the establishment of OECD-UNCTAD joint reports for instance suggests, continue to intertwine in unexpected ways while international venues keep searching for more collaborative

mechanisms that may bridge the perspectives of distinct international organisms. Meanwhile, it is becoming more difficult to recognize what constitutes now a specific 'institutional perspective,' especially once we take a closer look at the recent debates that have taken place at the IMF and the G20.

In preparation for its annual meeting in April 2011, the IMF released two documents: an official report presented to the Board and a staff position paper. These publications advance a set of guidelines vis-à-vis capital account regulations and recognize some of the benefits that these tools can bring to an economy in cases of financial disruption. The official report also proposes a new nomenclature for capital controls, referring to them as capital flow management measures (CFMs); however, it recommends that CFMs be used as a last resort, as temporary measures, and that they be non-discriminatory (IMF 2011). The latest reports are still lacking, therefore, in the Fund's determination of the efficacy of CFMs. A crucial question for current multilateral governance is whether a more neutral stance vis-à-vis capital flows, and even a more supporting position regarding their implementation, could be prompted by ongoing discussions at international forums such as the G20.

However, within the G20 there are important differences in country-members' perspectives that seem to have increasingly widened in the aftermath of the crisis. Initially, some of the recent IMF developments regarding capital controls have stemmed from the emerging plurality of the global system. There are now a variety of models of liberalism – the most obvious examples are China, India and Brazil – that have gained dominance and that may pose an alternative to neoliberal universalism (Gallagher 2011). At present, these countries, as previously discussed, have more voting power at the IMF and WB and in general more sway given their market power. At the same time, for these emerging nations the use of capital controls is also seen as part of preserving autonomy for domestic objectives.

In contrast, the G20 members that belong to the European Union have recently declared in a G20 terms-of-reference document[6] that "the EU believes in the benefits of the free movement of capital … and sees with some concern the increasing use of temporary controls" (quoted in Strupczewski 2011). In addition, Jorg Asmussen, the German Finance Minister who will chair the G20 working group on global monetary reform this November, has stated that capital controls should be permitted only in "exceptional circumstances", while freedom of capital movement would be the norm (quoted in Peel 2011). Moreover, lifting existing capital controls has usually been perceived as an important requirement for countries that are seeking EU membership. For example, Olli Rehn, the European Union's economic and monetary affairs commissioner, claimed this February that the bloc is ready to offer Iceland (which is pursuing EU membership) technical assistance to get rid of capital controls (quoted in Brunsen 2011).

Meanwhile, the Brazilian Finance Minister, Guido Mantega and his Indian counterpart, Pranab Mukherjee, have explicitly opposed formal mechanisms at the international level to regulate capital control on inflows. For Mantega, capital control measures are perceived as a necessity brought by international imbalances: "we needed to adopt [capital control measures] to defend ourselves from an extremely harmful situation for the country, and we won't relinquish the right to do so as long as the situation persists" (quoted in Wall Street Journal 2011). Further, the two recent IMF reports have not been welcomed by emerging market economies. Paolo

Nogueira Batista – Brazil's executive director at the IMF who also represents eight other countries – indicates that these countries strongly oppose any IMF guidelines that "establish, standardize, prioritize or restrict the range of policy responses of the member countries that are facing large surges in volatile capital inflows" (quoted in Rastello 2011).

As Gallagher (2011) highlights, it is not clear that the IMF has the political legitimacy in these nations to carry out a more formal procedure regarding the coordination of capital controls. Resistance from emerging economies makes it less likely that the Fund will be able to use the recent recommendations about capital controls in its annual reports that deal with the economic situation and policies of its members. As Prasad – a former director of the IMF Financial Studies Division – suggests, the Fund appears to have been blindsided by the lack of support from key emerging markets (quoted in Rastello 2011). Developing and emerging countries have also weighed in on the Fund's lack of enthusiasm for tackling the contribution of wealthy countries' monetary policies to the carry trade activity that plays such a key role in the 'currency war' (Grabel 2011). For example, Nogueira Batista said that there was a "lack of even-handedness" in the IMF report, which "downplays the supply side factors driving" the increase in inflows (quoted in Rastello 2011).

Moreover, during the recent BRICS Interbank Cooperation Mechanism Annual Meeting and Financial Forum, BRICS countries that are G20 members have showed again that they are progressively strengthening their role as international creditors and as crucial players in defining the direction of the international financial architecture. In this annual forum, the development banks of the BRICS nations agreed in principle to establish mutual credit lines denominated in their local currencies, not in dollars. The BRICS are worried about the long-term fate of the dollar because of US large trade and budget deficits and resent the privileges that come with being the leading reserve currency (Wheatley 2011). While setting up local-currency credit lines may prove to be of more symbolic than of practical importance (depending on how easy they are to access and the financing term) as Wheatley (2011) remarks, increasing lending flows between the BRIC countries' development institutions could prove to be an important initial step toward establishing new currency markets.

**Final remarks**

As the discussion throughout this paper suggests, the G20 members are bounded to act and produce results in an environment that still promotes market universalism, while favouring twenty nations' decisions to fix the existing financial 'loopholes' and increasing tensions at the *global* level. Yet, despite the perception that the G20 is a group composed by awkward, incomplete and messy global governance networks, it may provide key advantages compared to other IFIs, especially for emerging market economies. These advantages do not stem necessarily from specific resolutions that may be achieved within the G20 framework, but from using the recognition that the G20 has given to its emerging market members for pursuing parallel avenues in regard to decisions about how to handle financial volatility in the post-crisis era. The possibility of major reconfigurations in global financial governance is no longer then for the traditional hegemonic regulatory networks alone to decide. The Seoul summit served to enhance prospects of participation of G20 emerging economies in the upper tiers of geopolitics.

Meanwhile, the global financial architecture is at present being recast slowly, not because of a specific comprehensive G20-led agenda that aims to do so, but because the post-2007 crisis

itself has stimulated the expansion of existing and the creation of new bilateral, regional and multilateral and even unilateral mechanisms (such as the implementation of control on inflows) (Grabel 2011). Multilateral discussions within and outside the G20 cannot longer ignore the ideological perspectives of emerging economies that by and large 'agree to disagree' about implementing more formal coordinated regulatory mechanisms vis-à-vis financial matters. The case of capital controls illustrates this situation and signals how the global financial order is in a state of flux and uncertainty. In its current state, the notion of universal inclusion has been deeply challenged by the notion that representation according to economic weight is 'valid' for providing timely multilateral – or conversely, unilateral – mechanisms to pursue stability in financial markets.

For several scholars,[7] we have entered then an in-between period in which initiatives are possible, but only within the context of fragmentation and acknowledgement of the increasing normative tensions in multilateral venues. In this period, there are substantial pressures to maintain the liberal regulatory frameworks that were dominant at the international level before the crisis. Nevertheless, several structures that underlie the international financial system are being incrementally redefined through endogenous processes of institutional change and the simultaneous increase of unilateral responses. The pattern of interaction at the G20 between emerging markets and traditional powers on introducing substantial financial reforms, and the evolving economic statecraft of states such as China and Brazil, suggest that are we are heading towards an international financial order that is more fragmented, where power is more diffused, and non-global arrangements play a more prominent role (Chin 2010). Finally, that the BRICS summit was held just before the G20 Finance Ministers meeting this April is a key example of how novel non-global arrangements may continue to proliferate in upcoming years.

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[1] This paper employs the concept of neoliberal universalism as described in Peck, Theodore and Brenner (2010). For these authors, neoliberal universalism is mainly based on market universalism, one-size-fits-all policymaking, and global integration via commodification.

[2] BRICS countries are Brazil, Russia, India, China and South Africa

[3] Using membership of the UN General Assembly as a working definition of a country for this purpose.

[4] These organizations are the United Nations (UN), the International Labour Organization (ILO) and the World Trade Organization (WTO), the IMF, the WB, the FSB and the Organization for Economic Co-operation and Development (OECD).

[5] Recent examples include the book “The Financial Crisis of 2008-2009 and Developing Countries” (2010) and the “G-24 Discussion Paper Series” (2010).

[6] This document was prepared for EU G20 delegations to the G-20 Paris meeting on February 18-19 2011.

[7] See for example, Helleiner (2010), Chin (2010) and Cooper and Bradford (2010).