G20 Endorsement in Post Crisis Global Governance: More than a Toothless Talking Shop?

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Research Highlights and Abstract

This article

- Highlights how G20 ‘endorsement’ promotes and enhances the legitimacy of specialist technical agencies and organisations
- Provides a case study highlighting the impact of G20 endorsement on the OECD’s international tax transparency agenda
- Develops a mid-level theory of G20 endorsement in order to analyse this emerging form of authority in global governance

The G20 Leaders’ Forum has been touted as ‘The world’s premier forum for promoting global cooperation’, yet beyond this rhetoric the track record of the G20 is varied leading critics to claim it is little more than a ‘toothless talkshop’. We argue that such sweeping generalisations are difficult to sustain in the light of evidence from some issue arenas in which the G20 has been active. This article draws on the extant literature on the ‘Gs’ and network governance in an attempt to theorise and explain the G20’s endorsement function, or its capacity to promote and legitimise the work of specialised organisations and networks. We build on the extant literature using a semi-inductive method focusing on the G20’s endorsement of the OECD’s international tax transparency agenda to develop a mid-level framework for analysing this important source of authority in global governance.

Keywords: G20; OECD; international taxation; network governance; forum shopping

Introduction

Five years prior to the onset of the Financial Crisis (FC), Anne-Marie Slaughter argued that network governance ‘would become a key feature of the world order in the twenty first century’ (Slaughter 2004, 1), arguing that traditional, treaty-based intergovernmental organizations (IOs) simply do not have the breadth of expertise, flexibility or speed of decision making to solve many of the contemporary problems in global governance, notably those that arise during crises (Reinicke et al. 2000; 132; Ruggie 2002, 34; Helleiner and Pagliari 2009, 206). To an extent this prediction concerning the deepening of network governance at the global level has been realised since 2009 because as Slaughter anticipated, the FC has
precipitated a deepening of network relations between existing institutions, as opposed to more fundamental change (Porter 2010; Cooper 2010; Baker and Carey 2013; Kirton 2013; Cooper and Thakur 2013).

The FC may not have given rise to new international institutions in the way that occurred after the Second World War, yet we have witnessed the conversion of existing financial institutions, most notably the G20, enabling it to take on new agendas, functions, and in some cases, deeper relationships with other actors within that architecture (Streeck and Thelen 2005; Thelen 2002; Pierson 2004). In part, this affirms the argument that institutional adaptation is preferable to the creation of new organisational structures because it is less time consuming and requires a relatively modest investment of diplomatic capital—commodities in short supply at the height of the FC (Eilstrup-Sangiovanni 2009, 206). The G20 may have been preferable to the G8 owing to the fact that it provided emerging/creditor economies with much needed representation but ‘in the end one of the chief advantages of the G20 as a mechanism to respond to the 2008 crisis was that it existed. This meant that time and energy did not have to be wasted on deciding who should attend a global summit’ (Callaghan 2013, 4) As Vestergaard (2011, 6) has argued, the G20’s was shaped as much by a ‘fellowship of the lifeboat’ as by considered diplomatic imperatives.

In specific terms we witnessed the conversion of the G20 from a finance ministers’ forum to a leaders’ forum (G20LF) charged with responsibility for coordinating and implementing the global response to the FC (Porter 2010). Whilst the first hastily convened G20 leaders’ Summit held in Washington in November 2008 had unrivalled political power to set the global economic agenda, given the G20’s (and indeed all of the Gs) lack of a secretariat (Beeson and Bell 2009; Garrett 2010), developing and implementing detailed policy prescriptions required cooperation with established IOs such as the International Monetary Fund, the World Bank and the Organization for Economic Cooperation and Development (OECD). This necessarily entailed an intensification of the network relationships that already existed between the G20 and a broad array of IOs, technical agencies and networks.

This article analyses the deepening network relations between the G20LF and other IOs and regulatory networks, an agenda which provides broader insights into the G20LFs role in post-Crisis economic governance. We argue that the nature and consequences of these evolving network relations have changed in the context of the FC and the G20’s associated transition from a Finance Ministers’ Forum to a more expansive and ambitious role as ‘The world’s premier forum for promoting global cooperation’ (G20 2009b). Beyond this rhetoric, the track record and effectiveness of the G20 LF is varied leading some commentators to claim that the forum is a ‘toothless talkshop’ (Rachman 2010; Wlverson 2010). We argue that such sweeping generalisations are premature and difficult to sustain in the light of evidence from some issue arenas in which the G20LF has been active. This article draws on the extant literature on the ‘Gs’ and network governance in an attempt to theorise and explain one important aspect of the G20LF’s role in global economic governance: its capacity to shape the global reform agenda by promoting, legitimising and energising the work of specialised, technical regulatory organisations and networks (Kirton 2013). The analysis which follows focuses on this endorsement
function, or the extent to which the G20LF can provide high profile support for the agendas and work of other specialist agencies and IOs (Baker and Carey 2013). The article concurs with Baker and Carey’s claim that the G20LF’s endorsement function can confer legitimacy on the agendas being promoted by other agencies, but argues that we need to develop mid-level theory to explain when endorsement is likely to be provided, who initiates the process and its likely long term consequences if we want to further our understanding of this emerging form of authority in global governance.

The next section of the article sketches the changing structure and role of the G20 in the context of FC and argues that while the creation of the Leaders’ Forum was a significant development it should be regarded as a deepening of the ‘Gs’ established role in global economic governance. Given this continuity Part 2 of the article describes the historical role which the various ‘G’ forums have provided in coordinating the activities of other specialist IOs together with established explanations of these dynamics. This section concludes by arguing that despite a good deal of continuity, the G20 Leaders’ Forum, with its more diverse membership, is assuming a qualitatively different role from the G7/G8. Of the various powers the G20LF has exercised since 2008, this article focuses on the endorsement function and, based on the case of the G20LF’s endorsement of the OECD’s international tax transparency agenda, we use an inductive method to argue that the consequences of endorsement will be shaped by a range of variables including the political pressure on world leaders to act on an issue, the extent of epistemic consensus on a reform agenda, institutional links between the G20 and relevant technical agencies and IOs including the existence of effective ‘policy entrepreneurs’ who can act as brokers and link policy agendas to problems the G20 is attempting to address. This approach is consistent with Sil and Katzenstein’s (2010, 411) recent call for greater ‘analytical eclecticism’ in order to selectively integrate and synthesize established theory to better reflect the complexity of world politics. In more specific terms, the method reflects the pragmatic need to develop more nuanced understandings of G20 endorsements which captures the varied and issue specific dynamics of G20 governance.

1. The Rise of the G20 Leader’s Forum

The FC and its legacies pose the most significant challenge to the global economy since the Great Depression. One of the few certainties arising from the crisis was that unilateral policy responses, such as the Bank of England’s Northern Rock bail-out, were ineffective and that a large-scale coordinated global emergency response was required. The inaugural G20 Leaders’ Summit held in Washington in November 2008 was designed to give the evolving response to the FC a broad and emphatic mandate. Hence, while the detailed content of the financial reform agenda and precise nature of emergency economic settings were established through existing trans-governmental networks, the G20LF acted as a de facto executive forum providing coordination and much needed political authority to ensure a decisive response (Porter 2010; Wouters et al. 2010; Garrett 2010). Above all else, the political imperative shared by world leaders in late 2008 and early 2009 was the need to be seen to be responding decisively to the crisis, to be engaged in...
a tangible ‘referential’ response to what was emerging as the most significant global recession since the 1930s (Edelman 1977). In this sense the main political imperative for world leaders at the height of the crisis was to use the G20LF to develop and promote credible policy responses to the crisis to reassure the voting public that they could exercise a degree of political control over the global economic system. However, as will be argued below, over time this need for credible action has been displaced by other political logics highlighting the need to distinguish between what Moschella and Tsingou (2013) describe as ‘fast’ and ‘slow’ crises.

2. The G’s in Global Governance Networks

The emergence of the G20LF may prove to be a significant step towards a new ‘networked world order’ (Slaughter 2009) but it is important to note that various G’s have played a significant role in both crisis coordination and global economic governance more generally since the 1980s (Dobson 2007). Arguably the G7 came of age in the mid 1970s as semi-regular meeting of either finance ministers or leaders (at so-called ‘Summits’), which were used to coordinate the floating exchange rate regime and its associated challenges following the demise of the Bretton Woods settlement (Pauly 1997). The G7 may have lacked formal structure and authority, but this flexibility allowed the G7, as a group of powerful industrial economies with broadly similar interests, to caucus and largely set the governance agenda for the Western international political economy in the 1980s and 1990s. This structure necessarily required the Gs to delegate tasks either to national bureaucracies, or, as is increasingly common, to other specialist agencies.

The relationships between G7, then G8, and the OECD, which is the focus of the case study below, have been especially significant despite having a difficult beginning. This was because the emerging G7 was initially regarded as a potential rival as key discussions regarding international economic policy coordination previously held in the OECD’s Working Party III shifted to the G7 (Van Lennep et al. 1998, 279–80; see also Van Lennep in Blommestien 1991; Carroll and Kellow 2011, 67–86). Despite this early rivalry the relationship between the G7 and the OECD improved with the Paris-based organisation conducting a range of technical tasks at the G7’s request. By the time the G20 Finance Ministers’ Forum was established in 1999 an informal, yet significant vertical network for global economic governance guided by the G7/8 was well established (De Guttry 1994). These historical developments suggest that the Crisis-inspired rise of the G20LF does not amount to a fundamentally new approach to global governance, but rather a deepening of established trends.

The central role of ‘the Gs’ in global economic governance and their network relationships with other IOs has been subject to a number of interpretations (See Kirton 2013, 27–33 for a summary). Influential realist accounts argue that the G7/8 has been used to protect and promote the interests of their exclusive membership through the promotion of so called ‘club standards’ which undermine more formal and representative decision-making forums (Putnam and Bayne 1987; Bergsten and Henning 1996; Drezner 2007, 75–8; for summary see Baker and Carey 2013, 373–5). Yet as Baker and Carey (2013, 4) argue, the established club governance literature ignores the increasingly pluralistic and networked character of global
economic governance in two important regards. First, outcomes don’t always reflect the shared interests of ‘G’ member states but are shaped, in part by dynamic material and social relationships between the ‘Gs’ and the states and organisations outside the G20’s immediate purview (Baker 2006, 63; Hafner-Burton et al. 2009, 560). The reality is that the G20LF is embedded in a complex array of network relations that vary over time and across issue arenas (Kirton 2013, 35). One enduring theme in these network relationships is that the ‘G’s’ are generally highly dependent on the inputs, expertise and capacities of various affiliated organisations and groups to develop and implement technical regulatory programs. However, such relations are varied and there are always exceptions such as when the G20 Finance Minister’s Forum established the Financial Stability Forum (now the Financial Stability Board) in 1999 rather than partner with an existing institution. Second, we need to be more attentive to the host of mid-level variables that shape these network relations in specific issue arenas influencing the formation, implementation and effectiveness of specific governance initiatives. To quote Baker and Carey (2013, 27) ‘The focus on academic research into the G groups now needs to ... deal with increasingly complex cross-cutting alignments that vary by issue area and reflect a form of network governance’.

The ‘Gs’ have always promoted elements of network governance in which knowledge, information and other scarce resources are transferred from one actor to another, patterns of interaction which over time constrain and shape outcomes (Hafner-Burton et al. 2009, 273). Moreover, the rise of the G20LF, with its more diverse membership and expansive governance agenda, will necessitate a greater reliance on network strategies. As Baker and Carey argue, ‘The G20 represents a fertile empirical case for research that seeks to demonstrate the causal mechanisms through which networks constrain and enable their members, the effects of network position on the behaviour of G20 members, their network resources, power relationships and the mechanisms through which international norms are diffused’ (2013, 29). Such claims are consistent with an emerging consensus that the G20LF is serving as a node to a series of interlocking transgovernmental networks, consisting of organisations, states and non-state actors.

Critics argue that the extant literature on network dynamics in global governance is more descriptive than analytic, with much of the empirical research documenting and categorising the increasingly complex relations between actors in global governance. This scholarship suggests that the strength of network relationships is defined by the magnitude and frequency of interaction between actors (Hafner-Burton et al. 2009, 563), interactions which are typically driven by resource dependencies (Rhodes 1997, 37). Specifically there is growing recognition that knowledge and expertise constitute a critical resource, which has given former subordinates in a network new capacities that can be exploited (Porter 2003, 3; Knoke in Hafner-Burton et al. 2009).

Ultimately these emerging hypotheses concerning network dynamics and their implications must be refined and evaluated in different contexts and issue arenas. As Porter (2003, 4) argued ‘We need to dial down our theoretical focus from the epochal scale to more middle-ranged concepts that can be used to identify variations across institutions’. The most significant attempt to conceptualise the various
network functions performed by the G20LF has been developed by Andrew Baker and Carey (2013) based on Baker’s earlier research on the G7 (Baker 2008, 2010). Specifically Baker and Carey identify four functions of apex forums such as the G20 which enable them to exert power in global economic governance and influence outcomes in the global political economy:

- Power through weighted resources;
- Power of instigation and agenda setting;
- Power of veto; and
- Power of endorsement.

The analysis that follows focuses on the G20’s endorsement power, or the process through which the G20 supports the findings of specialist networks and organisations which develop, implement and evaluate technical standards. Baker and Carey note that while the ‘Gs’ rarely reject or dismiss technical reports if the G20 overtly endorses a regulatory initiative in a communiqué, this ‘serves to energise and empower more specialised, technical, regulatory problem-solving networks and can give a sense of importance, prestige and urgency to their ongoing work’ (2013, 9). Moreover, a G20 endorsement can also yield financial and technical assistance from G20 member states and may enhance compliance because while the G20 itself does not impose sanctions, preliminary evidence suggests that member states, having affirmed their commitment to a particular standard at the G20LF, are more likely to honour their commitment and potentially enforce it unilaterally. For example, France and the UK have introduced withholding tax and other penalties on jurisdictions that don’t comply with the G20LF endorsed tax information exchange standard (Eccleston 2012, 151–152).

There is evidence across a range of issue arenas that a G20LF endorsement enhances the prominence, legitimacy and impact of the work of specialist organisations or networks (Veron and Rottier 2010). What is less clear are the political and network dynamics which lead to G20LF endorsement and whether endorsement will enhance the effectiveness and sustainability of the specific standard in question. This article argues that a number of contingent variables are likely to influence the specific agendas that the G20LF endorses. These include the particular policy challenges confronting the international community and whether these challenges constitute a ‘fast’ or a ‘slow’ crisis; the prevailing ideational context in which these challenges are interpreted and responses constructed; intra-G20 coalitions and relations including the preferences of the state holding the G20’s rotating chair. A second set of variables concern the networks in which the G20 is embedded and include the established patterns of interaction between G20 leaders, their officials and the broader constellation of networks, organisations and actors that constitute any given international policy arena.

3. G20 Endorsement: Causes and Consequences

The preliminary evidence provided above suggests that the politics of G20LF endorsement and its consequences are shaped by complex combinations of variables. In order to analyse these processes the article focuses on the influence of the five variables described below before assessing their relevance in the case study
analysis of the evolving network relationship between the G20LF and the OECD in relation to reforms designed to combat international tax evasion by promoting tax transparency and information exchange.

3.1. The Nature and Stage of the Crisis

Historically, moments of political and economic crisis have given rise to new forms of global governance and on occasion quite radical institutional and political change (Gourevitch 1986; Hall 1989; Helleiner 2009). Such accounts stress the importance of ‘critical junctures’ as the rare but transformative moments when existing political orders are deposed and new interests, ideas and institutions prevail. Yet more recently historical institutionalists have argued that there is often a good deal of continuity during periods of crisis with most reform agendas being developed in the calm before the storm (Hay 2002; Campbell 2004, 34). Indeed Moschella and Tsingou (2013) have built on this approach by emphasising how the nature of crises and other geopolitical developments influence the rate of policy change in a particular issue arena while established institutional and normative orders influence the specific issues that gain prominence on the global policy agenda. The analysis presented in this article adds another dimension to this literature on continuity amid crises in that it highlights how ‘apex forums’ such as the G20 are dependent on existing institutions and associated sources of technical expertise to devise and implement a credible policy response to economic crises.

3.2. Political Demands and Legitimacy

There is a burgeoning debate relating to the legitimacy of IOs and its consequences for their authority and sustainability (Clark 2005; Reus-Smit 2007; Slaughter 2013, 44–46). General definitions of legitimacy which concern the right to govern based on the consent of relevant constituencies provide a foundation for such analysis. However it’s also important to highlight how apex forums such as the G20LF have multiple constituencies leading to distinctive forms of legitimacy. Understandably the current debate concerns whether the G20’s membership is sufficiently broad (Payne 2010; Stiglitz 2010) and whether there is adequate dialogue with non-member states, but other considerations, including whether the G20 has access to sufficient technical expertise to make credible decisions, are also relevant (Stone 2011). These dimensions of legitimacy have the potential to influence the sustainability and effectiveness of G20LF endorsement. For example, the legitimacy of a G20 program will be enhanced if it works in partnership with an organisation with accepted expertise and which engages in a dialogue with both non-member states and other relevant actors.

Beyond these considerations our analysis is sensitive to a different form of political legitimacy which relates to the G20’s role as a crisis manager. We argue that in moments of acute crisis the G20LF (and indeed the G7/8 before that) enhanced the legitimacy of leaders of member states by demonstrating to their domestic political constituencies that they have the capacity to devise a credible response to a crisis rather than being at the mercy of global capitalism. At the height of the FC G20
leaders (many of whom were facing re-election) had to be seen to be responding decisively to the challenges facing the global economy. This situation also provided a significant opportunity for the more entrepreneurially minded leaders of IOs to advance their respective agendas by seeking G20 endorsement.

3.3. Technical Consensus and Concentration

The G20LF lacks its own secretariat and the financial resources to employ specialist staff to develop and implement work programs. Instead it relies heavily both on agencies within member states and established IOs. Indeed the very notion of G20LF endorsement highlights this established division of labour. It can be argued that the G20LF’s lack of policy capacity creates a degree of dependence on expert agencies and networks which in turn influence the dynamics of the endorsement process. Indeed this dependence is such that G20LF had little choice but to engage with the discredited IFIs whose governance failures contributed to the Crisis (Porter 2000). Perhaps the most relevant analysis of how technical expertise can influence interorganisational networks is presented in Porter’s technical systems approach (2003). Porter builds on functionalist insights by arguing that knowledge and expertise is deeply institutionalised within existing systems with significant implications for the nature and extent of international cooperation. While elite preferences among the G20LF’s membership may shape the broad parameters of the international economic agenda the possibilities for reform will be constrained by the established standards and pre-existing work conducted in relevant technical forums. Whereas the club model of G relationships implies that G groups can prescribe the parameters of new financial standards and regulations while technical agencies engage in detailed implementation, according to Porter, ‘A technical systems approach identifies the opposite logic: decentralized practical technical international agreements precede, stimulate and shape high level political negotiations which seek to resolve problems through new institutional innovations’ (2003, 527). The case study presented below will assess the extent to which technical agencies and their associated networks shape the G20 agenda.

3.4. Existing Network Relations

We have acknowledged the burgeoning literature describing the increasingly networked nature of global politics with governance being provided by complex combinations of state actors, IOs as well as both business and non-business civil society actors (Lazer 2005; Braithwaite 2008). Indeed our contention is that G20LF endorsement is a specific type of network relationship subject to distinctive political dynamics. Yet it is important to acknowledge that the nature and scope of endorsement is shaped by established network relations and the G20 is more likely to engage with organisations with which it has pre-existing relations. This suggests that there is an element of path dependency associated with the endorsement process as those groups with strong network relationships characterised by the magnitude and frequency of interaction will find themselves in an institutionally privileged position in the endorsement process (Hafner-Burton et al. 2009, 563). In the international tax arena the OECD is well placed to capitalise on its longstanding relationship with the Gs.
3.5. **Agents and Norm Entrepreneurs**

The final set of considerations to be assessed in the case study concerns the potential impact of key agents in the endorsement process. Apex forums such as the G20LF must inevitably respond to a wide range of competing agendas and claims. While the process of agenda setting and establishing political priorities will always be contested and problematic, this is especially true in moments of crisis and associated uncertainty (Blyth 2002). Both the public policy and IPE literature acknowledge that strategically situated agents, so-called policy or norm entrepreneurs, play a critical brokerage role at the intersection of organisations involved in networked governance (Kingdon 1984, 188–191; Pierson 2004, 137; Finnemore and Sikkink 1998). Kingdon, for example, highlights the importance of entrepreneurs in linking technical policy agendas to existing policy problems. Central to this is an ability to frame policy solutions or emerging norms such that they address contingent political problems confronting national leaders or apex forums. Given such claims it is important to consider the influence of such entrepreneurs and the extent to which strategic advocacy has a significant influence in the endorsement process.

4. **The Power of G20 Endorsement: The Case of the OECD’s Tax Transparency Agenda**

Analysis of the G20LF’s endorsement of the OECD’s tax transparency agenda represents a suitable case to assess and refine a theory of G20 endorsement because it is a clear example where endorsement does appear to have had consequences. Demand for tax havens, or jurisdictions that exploit lax regulation and offer generous tax concessions to attract non-resident firms and investment, is almost as old as taxation itself. However, it was not until the mid-1990s that there was sufficient political will to initiate larger scale, coordinated action against tax havens (Sharman 2006; Rixen 2008; Palan et al. 2010). In part, this new spirit of cooperation was prompted by the G7’s 1996 decision to request the OECD to ‘develop measures to counter the distorting effects of harmful tax competition’, a request that culminated in the publication of the OECD’s seminal report *Harmful Tax Competition: An Emerging Global Issue* (OECD 1998). Rather than providing a detailed account of the politics of the OECD’s HTC initiative between 1998 and 2006, our primary focus is on identifying the factors that undermined its success in this period.

The OECD’s HTC initiative initially attempted to address both tax competition and tax secrecy, however, from 2000 the OECD focused almost exclusively on trying to address illegal international tax evasion facilitated by bank secrecy and a lack of international tax information exchange. This lack of transparency threatens the integrity of the international tax system because capital and corporate taxation are largely based on the ‘residency principle’ under which the worldwide income of individuals or corporations is taxed in their country of residence. This regime provides a clear economic incentive for taxpayers to under-report their true income leading to a situation where ‘the enforcement of resident taxation relies on the intense exchange of information between tax national tax authorities’ (Rixen 2008, 61). Similarly, so-called tax havens have an interest in providing financial secrecy because it can be used to attract investment from high tax jurisdictions.
Against this backdrop the OECD sought to develop and implement an international standard for tax information exchange which would allow tax authorities to pierce the veil of secrecy which tax havens were increasingly willing to exploit. Despite the initial enthusiasm for establishing an international standard for tax information exchange the reform agenda soon ran into staunch resistance, initially from traditional offshore havens and then from OECD member states including Switzerland and Luxembourg who had long promoted and profited from bank secrecy. The prospects of achieving meaningful reform deteriorated further with George W. Bush’s victory in the 2000 US presidential election. Historically, US governments were the driving force behind multilateral tax initiatives, however the absence of support from Washington can seriously undermine any attempt to regulate international taxation, not only because of the United States’ structural power in the world economy, but because of the OECD’s financial dependence on the US for a significant portion of its funding.

Few analysts were surprised when the Bush Administration announced that the US government did not support OECD’s international tax agenda because it was too broad and had the potential to limit states’ sovereign right to manage their own tax systems (Sharman 2006, 61; Anderson 2001; Palan et al. 2010). While the HTC initiative was not formally abandoned it was, in the eyes of most commentators, ‘watered down beyond recognition’ (Palan et al. 2010, 217). The OECD had been successful to the extent it had developed a relatively weak framework for the bilateral exchange of tax information between national tax authorities. However, by 2006 there was little serious commitment among national governments to implement the OECD’s nascent international standard with only 11 Tax Information Exchange Agreements (TIEAs) having been signed (Figure 1). The OECD had devised and negotiated a modest governance regime with the potential to enhance tax transparency and curtail tax haven abuse. However, as this regime and associated regulatory standards were contested, few states were willing to implement the standard without a commitment from the United States and other major powers. As Palan et al. argue this was a period of ‘politics without conviction’ (2010, 191).

4.1. Initiating the G20LF’s Endorsement of the OECD’s Tax Agenda

Despite expectations that the OECD’s tax transparency agenda would die a quiet death, the regime has experienced an unexpected renaissance since 2008 in part due to G20LF endorsement (Eccleston 2012). We have already noted that by late 2008 world leaders were under intense political pressure to respond to the Financial Crisis. Against this backdrop, combined with its prior work on the issue and long-standing relationship with G7/8 and the G20 Finance Ministers’ Forum, the OECD was successfully able to secure G20LF endorsement for its tax information exchange agenda.

The inaugural November 2008 G20LF meeting identified the OECD’s framework for enhancing tax information exchange as being a ‘medium term priority’. However because developing and reaching agreement on detailed proposals on financial reform were more elusive (author interview, 2009), the G20LF enhanced
its commitment to the OECD’s tax transparency agenda at the second leaders’ Summit in London April 2009 committing the G20:

To take action against non-cooperative jurisdictions, including tax havens. We stand ready to deploy sanctions to protect our public finances and financial systems. The era of banking secrecy is over. We note that the OECD has today published a list of countries assessed by the Global Forum against the international standard for exchange of tax information (G20 2009a).

By the third leaders’ Summit in Pittsburgh in September 2009, and after extensive lobbying from the OECD Secretary General (author interview, 2009), the G20LF agreed to support the creation and funding of a revised and expanded Global Forum on Tax Transparency and Information Exchange, administered by the OECD, which would be charged with systematically evaluating the implementation of and compliance with the new global standard (G20 2009b).

While these initial commitments were largely a reiteration of the OECD’s established tax agenda they were significant because they provided high-level political support for the regime as well as an undertaking to finance a new Forum, whose membership was open to non-OECD member states, allowing it to conduct a more robust ‘field based’ peer review process (author interview, 2009). The OECD was

Figure 1: TIEAs Signed by Year 2001–2011
required to make regular progress reports to future G20LFs. These developments suggest that the G20LF’s endorsement was a consequence of the acute phase of the FC when G20 Leaders were desperate to reinforce and promote their leadership credentials. This highlights how the phase of a crisis can influence endorsement dynamics. In terms of the parameters of the reform agenda and its organisational management, developments were consistent with Porter’s (2003) technical system model in that endorsement focused on the OECD and its existing standard for information exchange. One noteworthy point of difference between the OECD’s pre-Crisis regime and the revised Global Forum (the original and largely ineffective Global Forum was established in 2002) was the fact that membership of the latter is now much more comprehensive (now standing at 120 jurisdictions) and includes all G20 member states. This expanded membership can be explained by two sets of considerations. First, the legitimacy of the HTC initiative and the original Global Forum was undermined by the fact that it sought to regulate the activities of jurisdictions who were excluded from its deliberations breaching basic principles of deliberative equality (Baker 2009). Second, whereas all members of the G7 are also full participants in the OECD, this is not true of the G20LF and the eight members of the G20LF who are not members of the OECD were reluctant to endorse a framework for international tax governance in which they could not participate.

Finally, it is also important to note that the endorsement process was also influenced by entrepreneurial leadership and bargaining. At a diplomatic level the OECD Secretary General Gurria, aided by Jeffrey Owens, the Director of the OECD’s Centre for Tax Policy and Administration, was proactive in terms of promoting the OECD’s international tax agenda at successive G7 and then G20LF meetings. In the words of one senior OECD official ‘our real impact has been in terms of setting a reform agenda—At the height of the GFC we were able to offer world leaders a considered and coherent course of action’ (author interview, 2009). In other words the OECD’s established expertise and institutionalised position in the international tax regime, combined with the entrepreneurial skills of Gurria and Owens, proved attractive to the G20LF and the political challenges they were facing at the height of the FC.

4.2. The Consequences of Endorsement

In terms of efficacy the G20LFs leadership has contributed to a significant progress in international tax regulation over the past three years. Whereas until 2006 only 11 OECD TIEAs had been signed, renewed enthusiasm for tax transparency is now such that as of April 2013 some 1100 had been agreed (OECD 2013). In addition to this significant progress on bilateral information exchange agreements, there have been important parallel developments including all OECD member states (including Switzerland) agreeing to the revised Article 26 of the OECD Model Tax Convention with provisions requiring parties to exchange tax information under ‘foreseeably relevant’ circumstances irrespective of bank secrecy provisions.

While many analysts continue to argue that the OECD’s recent achievements are relatively modest (Picciotto 2011, 248; Avi-Yonah 2009, 793), by historical standards they represent a promising and unprecedented step towards the goal of combating international tax avoidance and evasion. While a number of factors have
contributed to this progress including a pro-transparency administration in Washington, a series of high profile international tax evasion scandals and a persistent and effective campaign from tax justice groups (Eccleston 2012, ch. 4), there is also a good deal of evidence that the robust commitment from G20 members has made a significant contribution. In the words of a former member of the OECD’s Committee on Fiscal Affairs ‘Once the G20 became involved for the first time in over a decade the Switzerland’s of the world knew that we were serious.’ (author interview, 2010). Similarly, small offshore tax havens indicated their compliance with the Global Forum process was being driven by lingering fear of G20 sanctions (author interview, June 2011). These concerns were particularly apparent in the lead up to the November 2011 meeting in Cannes given France’s traditionally aggressive posture on the issue combined with President Sarkozy’s unwavering commitment to ‘put the morality back into capitalism’, both through tackling tax havens and the introduction of a financial transactions tax (Chrisafis 2012). In the words of one representative from a small secrecy jurisdiction, ‘after Cannes we will all have a much clearer idea of the G20’s role in the process and whether it is likely to wield a big stick’ (author interview, June 2011). These sentiments also indicate how the policy priorities of the G20LF Chair not only influence the influence the agenda at the Summit which they host but also the ongoing effectiveness of endorsement via annual reporting.

Despite evidence relating to the short-term success of the G20LF’s endorsement of the OECD’s tax transparency agenda, it is also important to consider the longer-term consequences of the process. At this stage it is possible to identify two broad sets of considerations that have the potential to influence the long-term consequences of G20LF endorsement and the sustainability of the Global Forum regime. The first challenge to note is that endorsement was borne out of the political need to exhibit solidarity and act decisively at the height of the Crisis. The increasingly apparent concern is that with the passage of time and as we move into what Moschella and Tsingou (2013) call the ‘cold phase’ of post-Crisis governance then solidarity may wane and the divergent national interests that have historically defined international tax governance may create tensions among G20 members. A particular risk is that the emerging economies within the G20, and China in particular, may be unwilling to endorse and promote what was conceived as a transatlantic initiative. While China did flex its diplomatic muscles when it insisted that Hong Kong and Macau be removed from the OECD’s list of tax havens at the 2009 London Summit (Hall et al. 2009; Watt et al. 2009; Lesage 2010), if anything G20LF support for tax integrity measures has intensified amid the ongoing sovereign debt crisis.

The growing international commitment to promoting international tax transparency is such that it now poses a different set of challenges to the Global Forum regime. As Porter (2003) predicted, at the height of the Crisis the OECD was able to use its established taxation expertise and historical role in the administration of the international tax system to secure endorsement for its regime for tax information exchange, that is, established technical standards were influential in defining the reform agenda. However, it is important to acknowledge that the Global Forum standard of information exchange on request, as opposed to automatic data transfer, has been subjected to much criticism (Neslund 2009; Meizner 2012; Eccleston...
These increasingly vocal and influential critics argue that in practice information exchange on request is ineffective because requesting countries require detailed information regarding the taxpayer/s on which they are seeking data including their tax and financial interests (Spencer 2010; Meizner 2012). To paraphrase former US Secretary of Defence Donald Rumsfeld (2002): Information exchange on request will help counter ‘the known unknowns’ but will do little to reveal ‘the unknown unknowns’, which arguably represent the greatest problem.

This growing contestation regarding the most appropriate standard for tax information exchange combined with evidence that G20LF endorsement enhances the legitimacy effectiveness of standards which receive its imprimatur is providing an environment where proponents of automatic information exchange are actively lobbying, both directly and via member states, the G20LF to endorse their preferred standard. This process is complex and unresolved but there is clear evidence of an incremental evolution in the G20’s position to the extent that the communiqué from the April 2013 Finance Minister’s Forum ‘welcomed progress made towards automatic exchange of information which is expected to be the standard and urge all jurisdictions to move towards exchanging information automatically with their treaty partners, as appropriate’ (G20 2013). The June 2013 Declaration from the G8’s Lough Erne meeting provided a strong indication that the broader G20LF will affirm the OECD’s central role in the international tax regime so long as it ‘establishes the automatic exchange of information between tax authorities as the new global standard’ (G8 2013). This analysis was affirmed in the Saint Petersburg Leaders’ Declaration of September 2013 which made a commitments to ‘Migrate to a more ambitious, more efficient and higher standard, which is automatic exchange of information’ and to establish an Action Plan for its implementation (G20 2013b). Essentially the OECD has adapted its standard to reflect the evolving preferences of G20 members in order to maintain its endorsement.

5. Towards a Theory of G20 Endorsement

This article has provided an overview of the G20LF’s endorsement function and assessed its impact in the case of tax transparency. Our final task is to draw on this analysis to develop a framework that can serve as the basis of a theory of G20LF endorsement which can be used to explain the political circumstances under which endorsement is likely to be provided, who initiates it, and its likely long term consequences. While more detailed empirical research will be required to refine and assess such a theory of endorsement, we believe that this framework provides the analytical foundations for developing a more detailed understanding of this emerging form of authority in global governance.

In practice the politics of endorsement are varied and complex but conceptually it is useful to differentiate between the initiation phase of the endorsement process, which determines the specific agendas the G20LF promotes and the technical organisations with which it partners to develop and implement work programs, and the longer term sustainability and effectiveness of a particular initiative. Having established these two reasonably distinct phases of the endorsement process we identify
three sets of factors, with the potential to influence the endorsement process in discernable ways. This framework is represented in Table 1.

The structural context refers to prevailing political, ideational and economic conditions surrounding the endorsement process. We contend that the phase of a crisis has a significant influence on endorsement because in moments of acute crisis the political imperative among members of apex forums is to act decisively in formulating and implement a policy response. Under these conditions both demand for reform agendas and the power and influence of technical organisations will be high. Yet this does not mean that any proposal will secure endorsement and clearly a program must enjoy at least tacit support among G20 members and represent a credible response to the key issues on the international policy agenda. During more normal times, the so called ‘cold’ phase of the Crisis, different political dynamics prevail with the implementation and sustainability of a regime being more dependent on the on-going support and commitment of policy elites located within expert agencies as well as domestic political support within key member states. The latter

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<th>Table 1: An Analytical Framework for Assessing G20LF Endorsement</th>
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consideration reflects the fact that opponents of new international standards typically mobilise at the domestic level (Underdal 1998; Walter 2008).

Building on the literature on networks in global governance generally and Porter’s technical systems approach specifically, we argue that the influence of the structural factors described above is mediated by the institutional structure of network relations. First, the initiation of endorsement is more likely to occur if technical organisations have pre-existing relations with the G20, suggesting there is a degree of path dependency associated with the process. From the technical systems literature it is apparent that endorsement is much more likely to occur if specialist organisations can provide and administer an established standard which enjoys broad-based technical support. Finally, our case study highlighted the fact that connections between apex forums and technical agencies in the endorsement process are not inevitable and the prospects of endorsement are greatly enhanced if high profile policy entrepreneurs actively promote relevant standards. Over the longer run we anticipate that network dynamics will evolve with the emergence of rival standards and alternative partner organisations being a potential threat to sustainability effectiveness of endorsement.

Finally the prospects of endorsement will be influenced by the institutional characteristics and capacities of the technical organisation with which the G20 partners. Key considerations here include both the technical credibility and broader political legitimacy of the partner organisation. One specific aspect of this process which warrants further research is whether the G20 can enhance its legitimacy by partnering organisations with a broader and more open membership. The OECD may not be able to offer such advantages but the Global Forum which it has created in the international tax arena certainly does feature an open membership. Given the G20’s lack of policy capacity a partner organisation’s ability to develop and implement new standards will also be a consideration. Over the longer run the sustainability and effectiveness of endorsement will be dependent on whether the partner organisation has the resources to institutionalise a regime such that it is not dependent on G20 patronage. Also, developing a robust evaluation regime and producing evidence concerning the effectiveness of the endorsed standard will help consolidate political and financial support for the initiative.

This is not a formal model through which causal primacy can be tested, but we do contend that it represents a useful analytical framework that can accommodate and analyse the diverse range of factors shaping the politics of endorsement (Keohane 2009, 40). The approach is motivated by what Sil and Katzenstein have described as ‘analytical eclecticism’ or the ‘intellectual stance that supports efforts to complement, engage, and selectively utilize theoretical constructs embedded in contending research traditions to build complex arguments that bear on substantive problems of interest to both scholars and practitioners’ (2010, 411). We believe that enhancing scholarly knowledge of the endorsement process is an important global governance research agenda and that with further empirical research we will be able to refine the framework outlined in this article and develop a detailed understanding of the diverse factors which influence the endorsement process.
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