

## **The G20 at Leaders Level?**

Record of the discussion at Bellagio, 9-11 December 2003

This discussion built on points raised at the meeting jointly hosted by the Centre for International Governance Innovation and the Centre for Global Studies in Waterloo, Ontario on 26-27 October, 2003, and looked ahead to the further meeting to be hosted by IDRC in Ottawa on 29 February 2004.

The genesis for the discussion was Paul Martin's proposal that the G20 might meet at Leaders level. He had for some time taken a keen interest in the issue of increased global interdependence, and the machinery for resolving global issues. Many of the globalization processes were unstoppable, and often brought significant benefits. But there were also real problems. Too many people were left behind, with inadequate support. Most leaders in the South did not oppose globalisation *per se*, but wanted the process shaped so that their countries could benefit.

Paul Martin believed that governance should be largely run by Governments, and that elected leaders should be the key people shaping global governance. He had expressed interest in the way leaders could benefit from face-to-face exchanges, and in the potential for building trans-governmental networks. Hence his interest for a G20 meeting where Heads of Government from a broad spectrum of countries could address global issues.

For the meeting in Waterloo, Barry Carin and Gordon Smith had prepared a paper "Making change happen at the global level." That paper had started by analyzing some of the achievements of the G7/8 process, including the completion of the Uruguay Round and action on debt relief and on money laundering. The paper had also discussed examples from other fora where action by leaders had produced outcomes that *ex ante* might have seemed unachievable. The paper had then looked forward to some of the issues and global challenges facing the world and that might be addressed by G20 leaders. These included trade negotiations, climate change and financial issues.

It was interesting that, since the Waterloo meeting, Klaus Schwab, the President of the World Economic Forum, had produced proposals for a P21 meeting of Heads of Government, using very similar arguments—though focusing rather more on security than on financial and economic issues. Schwab had explicitly said that the creation of the P21 should mean the end of the G8.

The discussion at Bellagio covered the following main themes.

### **The general concept of a G20 at Leaders level**

Most of those at the meeting voiced general support for the proposal. The world had changed. The G8 had been able to play a significant role in the past in settling issues such as trade negotiations. But current negotiations on trade and climate change required agreement from a wider group. The G20 offered a prospect for achieving results on issues that the G8 could not solve by themselves. The G20 proposal might have flaws, but it

represented a step forward. There was a danger that searching for a perfect forum and perfect accountability might simply perpetuate all the existing problems.

But others noted that the formation of a G20 would not in itself address many of the problems with the existing international architecture, which included

- a lack of democracy;
- a tendency to spawn a proliferation of entities, agencies and initiatives;
- inadequate linkages into the central role of the UN;
- failure to address the concerns of the South, or the issue of poverty.

If the proposal for a G20 at Leaders level were taken forward, it would be important to expand the focus from narrow economic management (particularly in emerging markets) to a broader development agenda. The membership and composition would be crucial, as would its ability to support the central role of the UN.

### **Informality and personal contact**

The most recent meeting of G20 Finance Ministers had been encouraging, with much better quality discussion than at the IMFC. That demonstrated that a group of this size could work effectively and maintain the benefits of informal exchanges and personal contact.

Some, however, wondered whether the effectiveness of the G20 Finance Ministers could be preserved in addressing bigger, broader issues. A consensus-based approach could be unwieldy, and there was a risk of a small group acting as a *directoire*—as for example happened on the Security Council. That might accelerate the formation of a G3 (US, EU and Japan), which would not be in Canada's interests.

Some questions were also raised about whether the discussions among G20 Finance Ministers were quite as frank as they appeared. Follow-up interviews after earlier meetings had suggested that many debtor countries had great concerns about issues of conditionality and prioritization. But they had not aired these at G20 meetings, feeling that the key issue for them was to secure industrial country support and that this might have been compromised if they had been seen as being difficult about the conditions attached.

It was also noted that, while informality had many attractions, it went against the trend in national governments for greater accountability and greater openness. In a similar vein, global networks could produce striking results in the right circumstances. But many of the successes had been in groups which operated in private, out of the public gaze, such as judges and financial regulators. It would be important that a G20 was seen to deal with global issues in an open and transparent way.

### **Legitimacy and accountability**

Some concern was expressed whether the G20 would solve the perceived problems of G8 legitimacy. The G20 would represent a wider spread of countries, but meetings restricted to Heads of Governments would still leave the issue of civil society organisations feeling excluded—and their concerns might even be magnified if a G20 was seen as an even

more powerful forum. On this analysis, a G20 might do little to quell the demonstrations and protests that recent G8 Summits had faced.

Against that, it could be argued that the primary chain of accountability was through elected leaders to Parliaments and the people who had elected them. The G20 would have greater legitimacy since it was not restricted to the major industrial countries, and would be a more balanced forum in which to discuss global issues. Meetings of Head of Government could help create a consistency between national positions taken by trade ministers, finance ministers, environment ministers etc at their respective meetings.

The issue of legitimacy was bound up with the issue of membership. There would be problems, for example, if the membership did not include any of the poorest countries. Many of the potential issues that the G20 might address, such as HIV/AIDS, debt or water, had a particular impact on the poorest.

There would be attractions in having a mechanism to handle outreach from the G20 to civil society organisations and others, though that might be hard to organise. An informal advisory group, along the lines of the WTO, was one option. Outreach should not be restricted to NGOs, but should also extend to Parliaments and to business.

### **The poorest countries, and the voice of the South**

The G20 would include members from the G24 and G77. If, as a result, those members showed less interest in the G24 and G77, the creation of the G20 might have the unintended effect of weakening the voice of the South. On the other hand, it would offer the South more of a say in top-level international discussions, which was an important objective. Provided the G20 was seen as representative, it could carry great weight in speaking out on many of the issues such as infant mortality, life expectancy, hunger etc. The G77 sometimes lost credibility because of its tendency to be driven by rhetoric rather than by analysis.

It would be important for the issues facing the poorest to remain high on the agenda for the G20. The most powerful countries in the South did not have a good record in speaking up for the poorest. They might well seek to focus G20 discussions on the issues of concern to middle income countries, rather than on the interests of the poorest.

### **The future of the G8**

Most felt that the G20 should be seen as replacing the G8, rather than as adding to the range of international fora. There would be inevitable duplication over the agendas and remits if the G8 and G20 continued in parallel. And it would be hard to get agreement on the creation of a G20 if it involved another institution and another summit meeting—there were arguably already too many international gatherings for Heads of Government.

On the other hand, there were disadvantages in losing the G8 as a forum. The G8 had lots of critics, but it was important not to lose sight of its achievements, such as the global partnership for Africa and the global health fund. No other group could have achieved that. The G8 process was a flexible one, and allowed innovations such as inviting leaders

of NEPAD, something which a G20 might find harder to do. For poorer countries, the G8/NEPAD relation provided more than a G20 would. On the other hand, some of the other G8 experiments with bringing in additional participants had not produced very useful debates or outcomes.

It was very likely that Finance Ministers would want to continue meeting as the G7 as well as the G20, though that did not mean that Leaders had to meet at G8.

Some felt that the expansion of the G8 to a G20 should be taken more slowly than envisaged in Paul Martin's proposal. The formation of the G20 Finance Ministers' group had been driven by a crisis that needed to be addressed. There was no similar sense of crisis to drive the creation of a G20 Leaders' group. Personal contact among leaders was important, but it was natural for politicians to exaggerate what could be achieved by face-to-face discussions. Rather than moving straight to a G20, it might be better to make the transition more slowly. The next logical step was to add China and make it a G9.

### **Practical issues**

There were a lot of practical issues surrounding the creation and management of a G20 Leaders process. The numbers of officials and media attending G8 summits was already huge. And the preparation for a G20 would be correspondingly harder. It would be important to keep the organisational burden under control. The G20 would not be attractive if it involved 2½ times the preparation and 2½ times the numbers as the G8. In any event, the preparatory process would be different: what worked with part-time sherpas for the G8 could not be expected to work for the G20.

The timing for launching the proposal and securing agreement was tricky. The forthcoming Summit of the Americas would provide one opportunity for Paul Martin to raise the issue with some of the key players—and President Lula of Brazil in particular had a strong interest in managing globalisation. But it might be dangerous to do this without having got the US onside in prior discussions.

The attitude of the US was critical, especially as they were hosting the 2004 G8 Summit. Their attitude would be influenced by whether the G20 would be likely to help solve some of the problems that most concerned them. The timing was complicated by the US presidential election next year, which might make the administration less inclined to take risks by changing the status quo unless they saw clear benefits.

Looking further ahead, the G8 Summit in 2006 was scheduled to be in Russia, who would see their interest as being not to dilute their role by expanding the G8 to a G20. So the best window of opportunity might be to persuade the United Kingdom government, who were due to host the G8 Summit in 2005. It would be important also to influence other key countries: China, for example, was showing increasing interest in the G20 Finance Ministers, which might make them see a Heads of Government G20 as having advantages over simply joining a G9.

The February 29<sup>th</sup> meeting should avoid getting bogged down in detailed questions of mechanics. This was really something for civil servants to sort out. The February meeting should focus on the evidence as to whether a new body would help solve some of the existing problems which the current international architecture was handling poorly.

### **Membership of the G20**

There were three main options for the nature of membership of a Leaders G20:

- (i) a fixed group of individual countries;
- (ii) a fixed group of members, some there individually, some representing particular constituencies;
- (iii) a group whose composition varied from time to time depending on the issues being addressed.

There were arguments for and against each of these options. To the extent that the objective was to build personal contact among leaders, that pointed to a fixed membership. To the extent that the objective was to harness those needed to solve a particular problem, that pointed to more variable geometry.

If some members of the G20 were seen as representatives of a particular constituency, that would help ease concerns about composition since it would reduce debate about why one country had been included and not another. But it might lessen the effectiveness of the G20 as an institution: it would build up two classes of membership, creating a situation like the UNSC where some members were permanent and others not. And some areas, such as Africa, would almost inevitably follow a policy of rotating membership; that had proved unsatisfactory in other fora, such as the IMF.

The simplest option might be to take the existing membership of the G20 finance ministers. But that group had been drawn up with the objective of dealing with financial crises in middle-income countries; as a result, the membership was much less appropriate for dealing with other global issues that might be on the agenda for a Leaders meeting.

One particular problem was that the G20 finance ministers did not include any representatives of the poorest. That risked an own-goal with respect to legitimacy. If the poorest were not represented, that would give them a lesser role in the international architecture than they had now with the access they were given to the G8.

It was unlikely that G20 could satisfactorily be determined on the basis of objective criteria such as size of population, size of economy etc. That would lead to over-representation for Europe and under-representation for the poorest.

But picking representation from the poorest raised its own problems. Nigeria and Bangladesh might be chosen on grounds of size. But that in turn would raise questions about the balance of African representation: should a Francophone country be added? what about Ethiopia and Egypt? And if there were additional representatives from Africa and from the poorest, which existing G20 members should be excluded?

The general issue of the appearance of usurping the central role of the UN pointed to inviting the Secretary General to G20 meetings. Other heads of international institutions might be invited to attend individual meetings or parts of meetings, depending on the agenda.

Deciding on the issues of membership was going to be gory, though it would have an important influence on the success of the proposal. There was a danger that membership issues could dominate the discussion at the 29<sup>th</sup> February meeting, and it would be necessary to manage the meeting so that the other issues received their share of the debate. Even though there were substantive issues around the choice of members, final decisions would be heavily influenced by political considerations.

### **The remit and agenda of the G20**

There were areas where the G20 could fill what were clear gaps in the existing international architecture. For example, there was no single group of governments which was charged with monitoring how the international institutions were performing in fulfilling their various remits across a number of issues linked to globalisation. If the G20 took this on, it might be able to shine a light on the muddle when too many agencies rushed to fill the same space or on the gaps when they all stood back.

While the G20 might find a broad mandate in relation to global financial architecture and global issues such as trade and environment, it was important also to look for niche roles. These could include work on global public health (including both HIV/AIDS and SARS); water; GMOs; and on terrorism and security—which would be attractive to the US.

Among global financial issues that a G20 might discuss were matters such as

- exchange rate systems and regional support. China had an important role to play in this, since it was already engaged in bilateral swap deals;
- global competition policy. At present, the main forum for debate seemed to be by US/EU, even though many of the points of friction were with other G20 countries;
- standstills and the resolution of financial crises. There needed to be a new co-ordinating mechanism. Codes of conduct were unlikely to work in a crisis, and investors would once again get burned. Lessons from past crises were quickly forgotten

These might well be issues primarily for finance ministers. But the dynamics of G20 discussions would be different, and some Leaders from middle-income countries would have a keen interest in these issues, and might want to ensure they were aired at Head of Government level as well as among finance ministers.

### **Agenda for February 29<sup>th</sup> meeting**

In looking ahead to the February 29<sup>th</sup> meeting, it was suggested that one way of analysing the usefulness of a G20 would be to draw up a set of scenarios for the major issues that might be discussed over the next few years. The way in which the G20 might address the issues could be compared with how existing fora might deal with them in the absence of a G20. In each case, the analysis would consider the key players in the debate, and how they might be involved. It would also be useful to analyse how the preparatory work

might be carried out, given that the objective was not to create a new international secretariat.

This proposal was widely welcomed. One additional point that should be covered in each scenario was the level at which the G20 should meet—in particular the implications of dealing with the issue at the level of Leaders or Finance Ministers.

It was agreed that scenarios should be commissioned for each of the following issues:

- trade (including agricultural reform);
- global public health;
- terrorism and weapons of mass destruction;
- climate change;
- financial crises;
- debt (especially HIPIC debt).

The scenarios should be short (no more than two to three pages) and should follow a common template, which would be worked up by Barry Carin based on the comments that had been made.

These scenarios would be discussed alongside the papers already commissioned for the 29<sup>th</sup> February meeting, and would help to answer the key question of how a G20 might overcome some of the blockages in the current arrangements, and how it might improve global governance.