



The G 20 at LEADERS LEVEL?

**Report of a meeting hosted by
The Centre for International Governance Innovation
and
The Centre for Global Studies**

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Introduction – Waterloo Meeting

The October 26-27 Waterloo Meeting was the first of a series in a joint CIGI/CFGs Project. For the project, authors have been commissioned to respond to Paul Martin's challenge to flesh out his G 20 proposal. He has proposed that the G 20 might meet at the Leaders level and consequently be a positive constructive force shaping globalization and meeting specific global challenges. The purpose of the Waterloo Meeting was to inspire and energize commissioned authors (from the US, UK, China, India, Mexico, Germany, Egypt and Canada).

To provide direction to the research, the commissioned authors were asked to respond to a selection of questions from those below:

- Would it be desirable to have the G 20 meet at head of government level?
- Would this mean the end of the G7 and G8 machinery? If not, what would be the impact?
- Should other countries be added to the 19 that are now members? Should some be dropped? How big could the group be?
- How broad should the mandate of the G 20 become? What consequences would this have for membership?
- What priority issues should the G 20 address?
- Would there also be ministerial level G 20 meetings? If so, which ministers and with what tie in to leaders?
- Should other international institutions be added to the IMF and the World Bank, which at present attend the G 20? If so, which ones? Should international institutions be excluded altogether?
- Should there be some form of secretariat established? If not, should the responsibility for preparing the meetings be that of the host country?
- Should civil society be engaged in some way?
- Would it be desirable to create a network of influential research institutions in the G 20 countries which would track G 20 issues and stimulate informed global discourse?
- What are the most effective means to represent the views of those countries excluded from the table?

- What can the G 20 do to make a difference with respect to dialling down the burgeoning protests against globalization?
- How would a Leaders G 20 relate to civil society?
- Does further evidence need to be marshalled regarding the results that can be achieved when leaders work together?

The October 26 -27 Meeting commenced with an informal address by Paul Martin on the history of the G 20 Finance Ministers, including his thoughts and questions on the prospects of moving the G 20 to Leaders level. Several of the commissioned authors then presented their views; this elicited commentary and reaction from the audience of distinguished practitioners and academics. (Participants are listed in Annex A).

This was the first step in an ongoing process. One of the next steps is to test the ideas of the commissioned authors (now that their terms of reference and the views of the intended champion are known) at a February 29, 2004 Conference hosted by IDRC in Ottawa. The conference will end with a session where the ideas and recommendations of the authors will be presented and discussed with Mr. Martin.

A Leaders G 20?

At the Waterloo Meeting there was very strong (although not unanimous) enthusiasm for the recommendation that the G20 be transformed into a Summit of Leaders. Support for this proposal was expressed in terms of better representativeness of the G 20, a quality which offers an attractive solution to concerns about the legitimacy of already established international institutions. Efficiency considerations added further weight to the recommendation. The extant architecture of international governance has problems associated with representation and with deficiencies of performance. A G 20 upgraded to the Leaders level would temper such criticism directed at other institutions. The perceived value of this new forum would be enhanced considerably by its expected ability to offer instrumental advantages in issue-specific terms.

The appeal of the G 20 as a Summit for Leaders is based on two firm pillars. The first is as a necessary default option. The crisis of legitimacy facing the web of established institutions was well expressed throughout the CIGI seminar. The United Nations – and especially the Security Council – was criticized, as were the Bretton Woods institutions, and the G7/8 with its image of ‘the club of the rich’. The second source of appeal for a revamped G 20 was the intrinsic appeal of its own institutional design. The transformation of the G 20 to a Summit for Leaders could include many of the original features of the G7. Rather than the carefully scripted communiqués of the G7/8, the G 20 forum could revert back to an informal and free-flowing format. In terms of scope of membership the G 20 forum can offer a balance between the exclusivity of the G7/8 and the difficulty in reaching consensus associated with many other larger organizations, such as the WTO. The G 20 would have a degree of representation wide enough to allow both legitimacy and effective decision making.

Despite the generalized appeal of a G 20 upgraded to Leaders level, participants identified objections based on principle as well as some practical obstacles. Some participants argued, firstly, that this design could damage rather than reinforce the institutional fabric of international governance, especially in the context of the UN. An ‘end run’ around existing institutions might open up some creative ad hoc possibilities for problem-solving but it might also have the effect of further de-legitimizing the UN.

The prospect that other institutions could become catalysts for change was dismissed. Hope for reform of the UN Security Council – notwithstanding the rash of proposals – was minimal. Although the image and functional effectiveness of the Bretton Woods institutions attracted strong debate and varying opinions, there was a view that there were positive, albeit imperfect, aspects to their governance, in terms of the constituency system for Board seats.

Supporters of the recommendation for a Leaders G 20 cautioned that the criticisms and obstacles should not deter the pursuit of this option. The need for such a breakthrough was simply too great. The G 20 Summit of Leaders represents a bold step that is badly needed to break the dysfunctional nature of the architecture of international governance. Indeed, without this initiative, there is a risk that anti-globalization forces would further erode the effectiveness of existing institutions.

The key ingredient of ‘new’ multilateralism of the G 20 at Leaders level is the participation of influential leaders from the South. The G 20 would become the forum of choice, obviating the need for developing countries to establish competing “Groups”, and avoiding the “UNCTADization” of the WTO. The G 20 at Leaders level would provide a venue to focus on bridge-building between the leaders of the G7/8 and select leaders from developing countries. Expectations should not be exaggerated – some issues are intractable. The prospect was that the G20 Leaders would gain traction providing guidance at the apex of power, and building on success.

Both the symbolic optics and delivery application of the G 20 hold some considerable appeal. The G20 initiative does not have the look of the “coalitions of the willing” put together on an ad hoc basis. Nor does it have diplomatic connotations associated with established institutions (an exclusive membership and/or veto power). The focus on networking – while privileging the interaction among leaders – allows spillover into a wide number of subsidiary and interconnected networks at the governmental and non-governmental level. This, through networks, will satisfy an existing need to link knowledge to policy. Instead of requiring an elaborate “bricks and mortar” bureaucracy (or extensive secretariat) this model for an enhanced G 20 is lean and results driven. Government silos can be broken down under pressure from top-down political pressures. Mr. Martin expressed this last opinion forcefully.

Impact on the G7/8?

The question of the relationship between the G7/8 and the G20 if the latter was also a summit for leaders was raised. Some would conclude the fate of the G7/8 is insignificant, having deteriorated from an organization of great promise into a “photo op”. However, others did note the importance of documenting and promoting the positive accomplishments of the G7/8. In the discussion of the relationship between structures, there is the issue of what overhang would exist between the established structure of the G20 as a meeting between Finance Ministers (and representatives of the Bretton Woods institutions) to one featuring the engagement by heads of government.

The question of the relationship between the new G 20 and the G7/8 drew considerable attention. One strong line of reasoning supported the view that the best way forward was a merger between the G7/8 and the G 20. This scenario was viewed as consistent with the development of the G7/8 itself not only through the addition of Canada, Italy, and Russia to the original members, but the ad hoc inclusion on a number of occasions of leaders from developing countries for a portion of the summit. An equally strong argument was made for the “big bang” transformation of the G 20 from a meeting of Finance Ministers to Leaders. The G7/8 as Finance Ministers would still exist for some time in parallel. The argument to abolish the G7/8 was backed up by references to the need for directness and grand design and to by-pass logistical concerns about a proliferation of meetings. The parallel model’s premise was based upon the belief that it was better to bend than break the extant institutional architecture. An important element is the appreciation of the ongoing value of the G7/8 both as a site of leadership engagement and as a useful caucus for G7/8 Finance Ministers and Foreign Ministers.

There was a debate about the obvious strengths of a new G 20 Leaders summit versus the existing credibility of the venue for Finance Ministers. The existing G 20 has a commendable track record in its own right regarding financial crises and multilateral mechanisms. The debate about what boundaries exist for its agenda thus has already been engaged even without a move on the part of the G 20 towards a Leaders summit. In several areas, G 20 Finance Ministers have already moved from concentrating on a fixed technical agenda to a much wider *a la carte* menu. The G 20 works at the intersection between economic and security issues. An example is the application of the G 20 Action Plan on Terrorist Financing post-September 11th with special attention to freezing terrorist assets and the implementation of international standards.

Reference was made to the positive effect of the simple fact of a forthcoming Leaders summit. It sets in motion a process of consensus building.

Composition of a Leaders G 20?

It was noted that the current membership was the result of an arbitrary decision. Its predecessor – the Group of 22 or “Willard Group” was announced by Bill Clinton in November 1997 and comprised the G-7 countries and 15 others: Argentina, Australia, Brazil, China, Hong Kong SAR, India, Indonesia, Korea, Malaysia, Mexico, Poland,

Russia, Singapore, South Africa, and Thailand. Hong Kong, Singapore, Poland, Malaysia, and Thailand were all excluded from the current G 20; Saudi Arabia and Turkey were added. One view was that Saudi Arabia made sense in a Finance forum, but that the Middle East would be better represented in a Leaders forum by Egypt. The size of the group was important. It had to be big enough to be representative, but small enough to get things done. In this regard, the question was asked why the President of the US would want to participate with more than twenty members.

During the Waterloo Meeting, there was emphasis on the need for some “variable geometry” - flexibility of how membership could be nuanced in the future. The current G 20 membership is heavy on regional hegemons – it was pointed out that their interests were not necessarily congruent with other countries in the regions - “the regional hegemons may be the problem, not part of the solution”. The IMF Executive Board’s constituency system with rotating chairs was given short shrift, although it can be characterized as the worst solution except for all the others. One formula of variable geometry is to invite Leaders of states with particular concerns/capacities into the new G 20 on a temporary issue-specific basis. Another formula would allow not only some rotation but also an entry/exit procedure. Illustrations of such movements that were discussed included different Middle East, African, South American or Sub-Continent membership (with the possible inclusion of Egypt, Nigeria, Chile or Bangladesh).

If we proceed on a variable geometry basis, we need to define the criteria to explain the core group versus other part time members. Self selection, as in the Cairns Group, will not work. Criteria discussed amongst the participants included the contribution of individual states in specific areas regardless of size, regional balance and the inclusion of least developed countries. The prevailing view was to begin with the membership already established within the G 20.

There was an observation that mission should define membership. If the mission moves beyond economics and finance to include questions of security, then there are strong reasons to include countries like Iran, Korea, Pakistan and even Ethiopia.

Mandate of a Leaders G20?

The new G 20 could serve as a forum with extensive, but informal coordination and oversight responsibilities for global governance and the management of globalization. These ambitious economic cooperation and “accountability” objectives are directed at enhancing the efficiency as well as the legitimacy of intergovernmental institutions. For example, a standing agenda item might be a joint report from the World Bank/ IMF/ WTO on the state of the world economy and the impact of their initiatives. One idea was that the G 20 could serve as the steering committee for the UN. This “stewardship” mandate would only be possible if the G 20 were to be transformed into a Leaders summit. The agenda of meetings would be set by an implicit process.

The future G 20 should not attempt to fix what is already working – it should tackle those global problems which existing institutions cannot resolve. The mandate should include areas beyond the economic. An example is that of trade and agricultural subsidies which

should not be left to Foreign Ministers and certainly not to Trade and Agriculture Ministers.

The caution was expressed that Finance Ministers meet four times a year and hence could deal with technical issues (“economic issues are too important to be left to Leaders”). Leaders should focus on questions of the high tactics of political security such as nuclear proliferation and Bosnia.

Another option for the G 20 Leaders was to work on specific issue areas unlikely to be resolved at other venues. This approach would lead to improved compliance with international rules and the pursuit of “best practices”. Credibility of the “new” G 20 will come not from any formal authority but rather from an expression of engagement by an extended set of leaders. Credibility will follow success in resolving global problems. One test issue was trade in Genetically Modified Organisms (GMO s). Other issues raised included activity on infectious diseases and human trafficking.

Would a consequence of establishing a Leaders G 20 be a G 20 caucus for other international organizations? The answers were qualified. For example, Saudi Arabia, a G 20 member, is not a member of the WTO. In the UN however a G 20 caucus could expedite progress on some issues.

The Role of Civil Society?

Bottom up “new” multilateralism has become an important ingredient in the architecture of international governance. Transgovernmental and transnational networks are growing in significance and impact. The value of building inclusive devices for non-governmental organizations as part of an on-going process of dialogue, networking, and facility for governance was highlighted by most participants. Nonetheless, a differentiation was made between the role of NGO s contributing to agenda-setting and the role of states in decision-making. The fundamental attraction of an upgraded G 20 as a Summit for Leaders was that it offers a site for a core network of governmental leaders to meet. It would not be an all-encompassing state-societal forum.

There was a caution regarding engagement with NGO s. There are questions concerning the legitimacy of NGO s and the constituency they represent. In this view, it is most appropriate to find a role for national parliaments, rather than selected NGO s.

How will we get there?

Could the past evolve seamlessly into the new structure? Was there to be a “big bang” transformation or an incremental/staged process? Caution was expressed that to ensure credibility of the new G 20, the first expanded meeting had to be a success. The best scenario would be acknowledged progress in resolving some international financial problem. The most promising approach is an incremental scenario - invite China as a full member, and perhaps India and Brazil for part of the Summit (on the model of the gradual incorporation of Russia in the G7/8 family). Proceeding by a gradual process of

accretion, maintaining the G 7/8 mandate, moving to the G 10, then the G 12, has the great advantage of finessing the intractable question of the G 20 mandate.

There was consensus that the key determinant actor would be the United States, and (to a lesser extent) China. Some participants thought the US was an unlikely initiator/partner in any project to upgrade the G 20 (with its sense of exceptionalism with respect to adherence to international rules and preference for a unilateral/bilateral focus). Others thought we should not rule out a change of US priorities and approaches. Reports of the recent G 20 meeting in Mexico indicated the US was very happy with the meeting and its outcomes. In the short term the US might see some advantages in a parallel or even alternative approach to the G7/8, channeling its initiatives through the more dispersed and representative G 20. In the longer run there was a hope that under different circumstances/leadership the US might revert to more investment in multilateral leadership as a means of responding to complex interdependence and to pressures for change in international institutions.

China's preference may be to use a Leaders G 20 in a limited capacity as a bridge between regional and global efforts to mitigate financial crises. China has expressed frustration at living with the G7/8's "two world" dynamics and the impression that deals made in that forum have to be accepted with no negotiation. Participants emphasized the central importance of China and India in the creation of new international architecture especially in economic and financial realms.

There is broad agreement that, to quote former President Clinton speaking recently at Yale University, "we cannot continue to live in a world where we grow more and more interdependent, if we have no over-arching system to have the positive effects of interdependence outweigh the negative ones." It is understood we need to improve the ways we now manage that interdependence and share the wealth of the world. It is understood that there is reality to the concepts of "mutual vulnerability" (IDRC) and "distant proximities" (Rosenau). The question is how to do it.

It makes sense to build on institutions that we already have such as the G20 which bridges North and South and yet is compact enough that twenty (or so) people can have a real discussion. The best way to persuade others that having the G20 meet at Leaders level is a good idea is to show what it could do and why it could do it better than other fora. It must not appear as if the end is simply tinkering with the machinery. The proponents of a Leaders G20 must have a clear idea how to resolve two questions: "What is the agenda for the first meeting? What problem would the first meeting solve?"

It will be easier to sell the idea to countries in the South that would become part of the new club, especially the smaller ones who fear an expansion of the G7/8 limited to China, India, and Brazil. There will be inevitable bleats from those not included in the Leaders G 20, and ways will need to be found to include them in preparatory networks of some kind. The key for the proponent of a Leaders G20 will be how to approach the President of the United States. His first reaction is important. Can he be sold on the idea that the US

should cooperate with others whenever it can across the broadest range of areas and act alone only if it must (a paraphrase also from Clinton)? How can President Bush be convinced (not using citations from Clinton) that it is an American idea that a G 20 at Leaders level would help him solve some of the big problems on his desk. Current events in Iraq and elsewhere seem to be making the time propitious to raise the issue with the President. Is it counterproductive to canvas other Leaders to solicit endorsement of the idea? When might it be done and how?



Annex A - List of Participants

- **Yoginder Alagh**, Chancellor, Central University at Nagaland and Vice-Chairman of the Sardar Patel Institute of Economic and Social Research in Ahmedabad India and Fellow, Centre for International Governance Innovation
- **James (Jim) Balsillie**, Co-CEO, Research in Motion and Chair of the CIGI Operating Board
- **Barry Carin**, Associate Director of the Centre for Global Studies; Former High Commissioner of Canada to Singapore
- **Andrew F. Cooper**, Associate Director of the Centre for International Governance Innovation
- **Heribert Dieter**, Institute for International and Security Affairs, Germany
- **Yifan Ding**, Visiting Scholar at John Hopkins University and Deputy Director of Institute of World Economy of Development Research Center (DRC) of State Council, China
- **John English**, Director of the Centre for International Governance Innovation
- **Jonathan T. Fried**, Associate Deputy Minister, Foreign Affairs, Canada
- **Yegor Gaidar**, Director of the Institute for the Economy in Transition, Moscow and Former Prime Minister, Russia
- **Ahmed Galal**, Executive Director of the Center for Economic Studies, Egypt
- **The Honourable Bill Graham**, Minister of Foreign Affairs, Canada
- **Jose Angel Gurria**, Chair of the External Advisory Group Inter-American Development Bank and Former Minister of Finance and of Foreign Affairs, Mexico
- **Peter Harder**, Deputy Minister, Foreign Affairs, Canada
- **Ambassador Paul Heinbecker**, Canada's Permanent Representative to the United Nations
- **Ambassador Jorge Heine**, President, Chilean Political Science Association and Former Ambassador to South Africa, Chile
- **John Helliwell**, Visiting Special Adviser for the Bank of Canada and Emeritus Professor of Economics, University of British Columbia
- **David Johnston**, President, University of Waterloo

- **Kevin G. Lynch**, Deputy Minister of the Ministry of Finance, Canada
- **Ambassador Kishore Mahbubani**, Singapore's Permanent Representative to the United Nations, Singapore
- **The Honourable Paul Martin**, Former Finance Minister, Canada
- **The Honourable Marcel Massé**, Executive Director of the World Bank; Former Cabinet Minister, Canada
- **Rohinton Medhora**, Vice-President of the Program and Partnership Branch, International Development and Research Centre (IDRC)
- **Andrew Moravcsik**, Director of the Program on European Union Studies and Professor of Government, Harvard University
- **Maureen O'Neil**, President of the International Development Research Centre (IDRC)
- **Ambassador Thomas R. Pickering**, Senior Vice-President for International Relations, Boeing, Former U.S. Secretary of State
- **Tim Plumptre**, President of the Institute on Governance, Ottawa
- **Ambassador Andres Rozental**, President, Rozental and Asociados Consultancy; Former Deputy Foreign Minister, Mexico and Former Ambassador to the United Nations
- **Richard Samans**, Managing Director, World Economic Forum, Switzerland
- **Anne-Marie Slaughter**, Dean, Woodrow Wilson School of Public and International Affairs at Princeton University
- **Gordon Smith**, Director, Centre for Global Studies; Former Deputy Minister of Foreign Affairs, Canada
- **The Honourable Maurice F. Strong**, Special Advisor, UN (P.C., C.C., LL.D)
- **Naoki Tanaka**, President, 21st Century Public Policy Institute, Japan
- **George A. Trone**, Grants Manager, Mott Foundation, Michigan
- **William S. White**, President, Mott Foundation
- **Ngaire Woods**, Director of the Global Economic Governance Program and Fellow in Politics and International Relations at University College, Oxford