



Meeting: "The G20 at Leaders' Level?"
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The G20 at the Leaders' Level?

Angel Gurria

**Chair of the External Advisory Group Inter-American Development Bank and
Former Minister of Finance and of Foreign Affairs, Mexico**

Creating the G20 was an inspired act of leadership which, given its success, has taken everybody by surprise. Even today, we underline the fact that the meeting in Morelia or in Delhi before that, worked better than the IMFC. Small wonder, when the IMFC and/or the Development Committee consist of 24 Finance Ministers trying to dot the "i"s and cross the "t"s and not change the substance of a draft document prepared by the G7 to tell the markets of the world how the industrial countries are going to focus their economic strategies going forward, with lip service to some issues about emerging market economies or the poorest countries like trade, debt, poverty or AIDS.

But the question now is whether this initiative can be transformed into a forum of leaders. The answer is clearly yes. But it is not just a question of convening the leaders instead of the Finance Ministers. The stakes, the agenda and the mechanics have to be different.

Why a G20 at leaders level? Because the different fora that deal with globalization are not working. The trade talks for the Doha Round are stalled (as those for

the FTAA, by the way); growth looks better this year at the G7 level, but its "locomotive" effect on developing nations still has to be seen, after two years of very low growth, or even negative growth in some areas, like Latin America. The UN special meetings on development and its financing (Monterrey, Johannesburg), and the Millennium Goals, are waiting to be implemented and financed. The mammoth U.S. fiscal deficit makes the likelihood of a generous U.S. leading the world towards philanthropy a more remote possibility.

The UN is too general and diffuse; the OECD does not meet at leaders' level and is only formed by the richest countries (in fact, in 1998, Ministers of the "other half" of the world were invited to one of the sessions and the experience proved so rewarding that it has become a fixture in Ministerial meetings). APEC is a non-binding mechanism and its membership is not global enough, because of the geographic constraint (if anything, it is overly ambitious in scope – as it wants to deal with everything – and tremendously expensive and time consuming to administer).

The Boards of the IMF and the World Bank have some countries and some governors in common, (only at the Ministerial level) but many change every year and the issues are mostly financial in nature and "G7 centric". In all of the above fora, the speeches for internal consumption in the leaders' home countries take up most of the available time. The question of the "relevance" of those present is always there.

The summits of regional leaders have seen different fates. The last Summit of the Americas in Monterrey was hailed as a success because the leaders did not come out slugging at each other or "knocking themselves out", as some had promised to do. Also, one has to take into consideration that President Bush arrived with an olive branch on migration to appeal to the citizens of Latin America that can vote in the next U.S.

elections. But the acid test of its significance, the FTAA negotiations, even after the leaders in Monterrey offered all their support and confirmed the existing deadlines, broke down in Puebla, Mexico, only a few days later, at the Deputy-Ministers level. And again, even if successful, their geographic constraint would not give it global impact.

Today, given these setbacks in FTAA negotiations, the region finds itself immersed in a series of bilateral negotiations with the U.S. rather than in a serious, far-reaching multilateral, regional attempt at free trade.

So the answer is yes again, maybe by default but yes again. There is obviously a need of a forum where the political will of leaders can be expressed, after discussing the issues in some depth, listening to the leaders of other G8 countries and of developing countries, and the very valuable interaction between them, before a policy decision is adopted. One can even imagine a G20 meeting without communiqués, which will discuss issues, reach some compromises, adopt commitments and only announce them in the relevant fora (i.e., trade, financial, social, political, etc).

But maybe that is asking for too much. The idea, though, is to make the leaders feel comfortable, at ease, to look at the meetings as an opportunity, not yet another event where a predictable speech has to be pronounced; to consider the meetings as a learning process, not one where you go to preach to the unfaithful. The goal is to give leaders the chance to listen.

What about summit fatigue? The truth is that the leaders are not tired of summits, they are tired of inconclusive, politicized, manipulated, made for TV summits. They probably would welcome a new effort at relevance, an elusive goal so far.

Leaders of developing countries would grab at the opportunity to meet with their G8 and other developed countries' counterparties to discuss relevant issues, with the

conviction that their ideas or proposals would find a willing ear, or at least an understanding one. After all, would this mean the end of the G7/G8 machinery? No, certainly not at the outset and not as an explicit goal to state at any time. Were this to happen, it would spell the success of the experiment and everybody would be better off. No losers. The G8 today have their own ways of coordinating, and have their own ways of pressuring each other and of conveying messages back and forth, skills they have been honing for some time now. There is no reason to try to dismantle that, even less so when the fate of the new initiative is unknown.

Indeed, one can imagine a system where G8 countries would meet before their meeting in the G20 mode, to align their positions on substantive issues, or to agree to disagree in an organized fashion.

The G24 and the G77 and the G110 plus, etc. all are fora where developing countries talk to each other. They preach to the converted. No country dares really tell the other where it went wrong. The solidarity among the poor (or the poorest) is paramount. It is useful in the sense of including certain issues in the world's agenda, but not necessarily in the way they will be dealt with. These always require G8 participation. Again, the question of relevance is critical. The natural targets of the G24 (and, therefore, of the G77, G110, etc.) are the IMFC and the Development Committee, which are Ministerial and heavily influenced by the G8, and the UNCTAD, which has lost a considerable amount of its clout and credibility over the years for having supported rather extreme positions on a number of issues.

So the answer is yes also on the developing countries' side. Just do not try to tell anybody what to do. The existing groups will find that out by themselves. They will know

which meetings to eliminate, which to downsize and which to enhance, given the existence of this new forum of the G20.

In terms of the size and composition of the group, there are several approaches which have been proposed. One is to increase the number of members to include all relevant areas of the world, or otherwise all categories of countries (rich, middle income, poor and very poor). Another proposal translates the mechanics of the "chairs" at the IMF and the World Bank Boards, where there is a rotation of positions within each existing chair, depending on the importance of each country involved. But this approach involves shareholding percentages. The UN approach is "one country, one vote", which is politically appealing but very difficult to translate in terms of governance. A mixed fixed members/rotation concept is applied at the UN in the Security Council, with dubious results.

So why not leave it as it is for the time being? The only defense we have for keeping it as is, is that it is already there at the Finance Ministers level, and it seems to work. But it is, at the same time, a rather formidable defense. Given that every other formula has its shortcomings, we avoid controversy by keeping things where they are today and telling everybody that we are going to get back to the issue in two years' time. And, in the meantime, we can really think about it and then confront ideas with experience in the field as meetings actually happen.

Thus, although we will never be able to convince the hard-liners about democracy and representation, maybe results will speak for themselves. Again, the question will depend on the success the Group has at tackling the relevant issues of development.

In fact, given its present membership, the Group could then invite other countries to present or participate in specific agenda items, thus creating an atmosphere of

inclusiveness and expertise which would take the edge off some of its critics who would be crying "foul" when not invited.

But beware! It would be a forum of governments. So called "civil-society" (meaning NGOs) and society at large, (whether civil or not) can participate through their duly-elected representatives and they, through their governments, include or not include points in the agenda. Non-governmental organizations are a fact of life and they should be heard, but they do not run governments, and neither should they run or decide the agenda in fora like the G20. The question of accountability is legitimate, but our answer is democracy. Not bad! We cannot leave everybody happy nor can we answer all the questions. Then why try? Let's concentrate on the substance and prove we can make it work.

If we keep the "culture" of inviting the heads of the IMF, and the World Bank, and invite the heads of the regional development banks depending on the issues and, as has been suggested, invite the Secretary General of the UN or the heads of the relevant UN agencies to attend all or parts of the meetings, one can deal with the question of legitimacy and representation and the very central question of the role of the UN.

Indeed, from the point of view of the UN, given that the UN does not deal with or does not have control over many of the non-UN agencies or IFI's, having a forum of this nature should be a positive development to avoid the formality of New York and to be able to address a very representative group of countries which can "make the difference" on a number of issues. No votes involved, no face to save. Another way to fight against unilateralism.

The question of the poor in the South not being good representatives of the poorest in the South is an intriguing one. The issue, however, is not terribly relevant.

AIDS, extreme poverty, water, the digital gap, debt, trade protectionism, terrorism, political instability, etc. are all present in different degrees in the countries which are members of the G20 today, either at the national level or in localized form. Sometimes, actually, these manifestations show up in more acute forms in these countries than in other, "poorer" ones.

In terms of the issues to be addressed, the agenda can be mind-numbing and therefore we should avoid overburdening the concept with too many expectations, lest we risk disappointment. There are, however, a number of issues which can be clearly addressed and are considered by all as "pending" or as "homework".

Trade is certainly one of them. The Doha Round is in trouble after Cancun and the divide between developed and developing countries seems to have widened on issues like agriculture, the so-called "Singapore Agenda". As was mentioned above, the regional trade negotiations are not making progress either (the case of the FTAA is a good example), and these are perceived by some as a threat to global trade talks anyway.

The Millennium Goals, already under pressure due to the simple passage of time and the budgetary pressures of the countries which can make them work, could keep the leaders of the G20 busy for many years to come. Health, education, water, infrastructure, nutrition. The whole question of the resumption of growth and the spill-over effects in poor countries is still pending. Tracking progress or lack thereof on all these issues is a must. Now we have targets. We are therefore better suited to identify the leads and lags and their origin, again, a big boost for UN themes.

The issue of terrorism and the associated theme of the Weapons of Mass Destruction (WMD) offer yet another opportunity for substance in the G20. First, because with only a few exceptions, the world has become aware of this phenomenon the hard

way, by suffering it or by being pushed into a policy stance that assumes facts and deeds which others found or, as it now appears to be the case, exaggerated. There is wide scope for a reconciliation of views on the subject, for further cooperation on the substance and for a better coordination on knowing the facts. There is Iraq to reconstruct and Al-Qaeda to eliminate and Muslim fundamentalism to fight and a better management of the relationship of the west and the east, including economics, politics and religion.

And what about the older but not lesser evil of drugs? Have we dropped it from the agenda? And now it is joining forces with terrorism to threaten civilization! Is it not worth a serious review by leaders? And money laundering? How have finance ministers dealt with it so far?

Even the most noble of initiatives have to be reviewed to check for relevance, pertinence and effectiveness. HIPIC and AIDS are only two. How far have they gone? How are they doing? Was HIPIC enough when designed? Is HIPIC working and creating real relief or is it putting additional pressure on debtor countries to comply with criteria which are not realistic? Is there enough money in the pot? Is the fight against AIDS well coordinated? Are we getting the biggest bang for our bucks? Is there reasonable coordination among relief agencies? Is there reasonable cooperation from the recipient countries themselves? Can new incentives be created? Is the large U.S. initiative already operative?

Bellagio suggested dealing with financial crises as one of the areas for the G20 to look into. It is fascinating if only because that is why the G20 was born at ministerial level in the first place. That was the central focus and main concern. Today, our grasp, control and insight into financial crises seems to be less than before, given the trend to have bonds rather than loans as the main element of defaulted sovereign portfolios. A big

initiative was launched by the IMF (or rather, its Deputy head), which was allowed to linger around by the G7 for a while, and then shot down by the debtors and by the G7 themselves as unworkable. It consisted of creating a sort of sovereign bankruptcy court which would settle with creditors depending on the capacity to pay of the debtor, as assessed by the IMF itself, or a jury of qualified individuals.

Today, the Argentinean case highlights how even the IMF can become hostage of a large, strong-willed sovereign debtor who is given free-rein to pursue its own view of the world and the markets, rather than moderate it by the pressure of others who may know better and who may have a more systemic view of the issue. No progress, therefore, on the issue which led to the creation of the G20 itself! Talk about homework! Clearly, a job for the leaders.

Obviously, things cannot happen in a vacuum. Leaders rely on and need Ministers to discuss issues and present alternatives for solution. Besides, leaders will meet for only two days, at most. Therefore, Ministers have to prepare the options on the agenda items. Thus, ministerial meetings must continue to take place, but within a coordinated, pre-defined agenda. Leaders can and probably will get to the meetings and raise unexpected issues, but that should be the exception, rather than the rule. Orderly and predictable discussions should be a target that will multiply the positive impact of the meetings.

Which Ministers? Whichever are relevant: finance, trade, attorney generals, homeland security, health, foreign affairs, etc., or a combination of the above, as necessary.

Clearly, many of the issues these Ministers have to address can be solved or decided-upon in the Ministerial itself. No need to take every issue to the leaders if they can be addressed by their staffs. In fact, meetings of leaders should have a certain

“scarcity” element, to propitiate really significant discussions about only a short list of issues of true relevance. If the perception exists that the leaders will address every issue under the sun, ministerial meetings will weaken or lose their significance.

This leads us to the question of the Secretariat or the lack thereof. An undertaking of this nature needs a Secretariat. In the G20 for Finance Ministers, the host country will play that role and will convene meetings at technical levels to form a relevant agenda which will enjoy consensus support.

At the leaders level, the procedure has to be upgraded, given the stakes involved (leaders cannot fail, only Ministers do). The sources of agenda items will be the Ministers’ sectorial meetings, the diagnostics of international agencies (financial, trade, climate, UN or otherwise) on specific relevant issues, NGO’s in their dealings with the Secretariat, but mostly the leaders themselves. They will have the best gauge of the sensitivity and the “explosiveness” of the issues and they will constitute the ultimate filter. Leaders detect relevance best because they define relevance.

How to organize the Secretariat? Keep it small but very important. For example: ask the heads of the OECD, the IMF, the World Bank and the regional development banks of the world to participate and designate one representative. Ask the Secretary General of the UN to designate one person. And then ask them all to process or come up with papers and ideas using their own installed capacity in-house or their specialized units or agencies. Everybody will be only too happy and flattered to be asked to contribute.

But there has to be a powerful, central Secretary who can coordinate this effort. Maybe a former Minister, or even a former leader; one who can command the respect of leaders worldwide and who is still aware, energetic and dedicated enough to have a deep

sense of mission. One who can address leaders as equals but will not want to outshine them and who can deal with international bureaucracies adeptly. One who is familiar with the issues, or at least some of them. He would be equipped with a small staff and the support of all the above-mentioned institutions. He would also be supported by and in constant touch with one person in the office of each of the leaders who would in turn dial with national authorities. Obviously, it should be someone with access and influence and who enjoys "his leader's ear".

The Secretariat would also be supported by a network of "think tanks", loosely associated around the subject of the relevance of G20 themes. These would produce diagnostics, policy proposals or discussion papers either on demand or spontaneously, as contributions to the process. They would keep in touch to iterate and advance the thought process or the frontiers of knowledge on the issues. They would also be a source of proposals for relevant issues in the agendas of the meetings of leaders.

How often should they meet? Twice a year, maybe after the G8 meetings in the first cases (one full day), and later two days. Although it does not sound too elegant, it may prove expedient in the beginning, before the concept sticks. Once a year will make it irrelevant and will miss the virtue of opportunity on many issues, and more often it will make it unwieldy. After all, if something momentous happens, a meeting can always be convened.

We are assuming the process will start to promote the idea. In fact, it may have already started in the different discussions that PM Martin has had with his peers in international gatherings (Monterrey), or in bilaterals. But clearly, getting the U.S. to support the notion is crucial to its success. In fact, without it, it will not happen.

Europeans are multilateralists by nature, and if we can count on the support of the UN beforehand, many of them will be supportive.

But the question of U.S. support will depend on what there is in it for a country that has been accused of unilateralism and of not supporting the UN process. And that is precisely what can be sold to the U.S.: relevance in a controlled environment; a chance to listen and to be heard without having to commit or be forced to commit; consensus building in a short time or at least, a beginning of consensus-building on key issues. A better understanding of the issues themselves; less clashes at the UN, at the WTO or the IMF; greater support for the fight against terrorism, etc. A forum to launch new initiatives and see if they fly, rather than floating them officially and having them shot down. If there is a country in need of such a forum it is, paradoxically, the U.S.

Canada is well placed to promote the concept. It is considered a friend and ally by everybody and is not suspect of wanting to promote its own interest in any of the big global issues. It has an excellent relationship with the U.S. and the U.S. will tend to rely on Canada's good judgement on a number of issues. Moreover, Paul Martin's mandate is new and it is expected that a new G8 leader come up with some important global initiatives.

Having created the G20 at Ministerial level, the follow-up is quite natural, even expected. Those in the support or technical group can help in their own countries, but the project needs a leader, and PM Martin is the most appropriate one. Even those who may not agree with the concept may think twice before opposing a Canadian Prime Minister's initiative. Canada does not generate so many antibodies.

There are regional meetings and there are inter-regional meetings. For example, there is a Europe-Latin America and the Caribbean Summit in Mexico next May. If such

a meeting supported the notion, it would be a great way to capture a large number of votes, but there is always the question of membership and the possible controversy surrounding the issue.

In the end, it is for the G20 countries themselves to decide.

The idea is valid. It has potential. It is needed. It is worth pursuing.