

G20 SUMMIT Colin I Bradford Jr, NON-RESIDENT SENIOR FELLOW, THE BROOKINGS INSTITUTION, WASHINGTON AND THE CENTRE FOR INTERNATIONAL GOVERNANCE INNOVATION, WATERLOO, CANADA. IN FEBRUARY, HE ORGANISED A CONSULTATION BETWEEN BRITISH OFFICIALS PREPARING FOR THE G20 LONDON SUMMIT AND INTERNATIONAL ECONOMIC EXPERTS FROM G20 COUNTRIES.



The G Force

The international economic crisis has catapulted a new group of nations to public awareness. Gone are the fireside chats of G8 countries, welcome to the G20. The agenda for its London summit is demanding, the expectations daunting; but at least it is more representative.

tHE SECOND G20 SUMMIT IN LONDON ON APRIL 2 IS A critical moment to address the global financial crisis, but it is also a confluence of political, institutional and economic change. For British Prime Minister Gordon Brown, it is an opportunity for his economic experience, expertise and leadership to shine. For United States President Barack Obama this will be his first summit as president, placing him in the global limelight not in the Euro-centric, western setting of the G8 group of leading economies but bringing him together with leaders of major nations from all regions in the G20.

The urgency of the global financial crisis and economic recovery, of international institutional reform and of consensus on climate change arrangements, is forcing foundational reform

in global governance by transforming the apex summit from a small group of western industrial countries to a larger gathering of major economies from diverse regions, cultures and income levels. The world will have a new focal point for leadership that is more representative, effective and legitimate and can exercise greater influence.

Asia is under-represented and underwhelmed by the transatlantic power structure of the International Monetary Fund (IMF), the World Bank and the G8. Four Asian emerging market economies – China, India, Indonesia and Korea – are in the G20. No Islamic countries are in the G8; three – Indonesia, the most populous Muslim nation, Turkey and Saudi Arabia – are in the G20. Australia, Brazil, Russia, South Africa and Mexico are all in the G20; pivotal strategic powers in most global challenges; all but Russia are not in the G8.

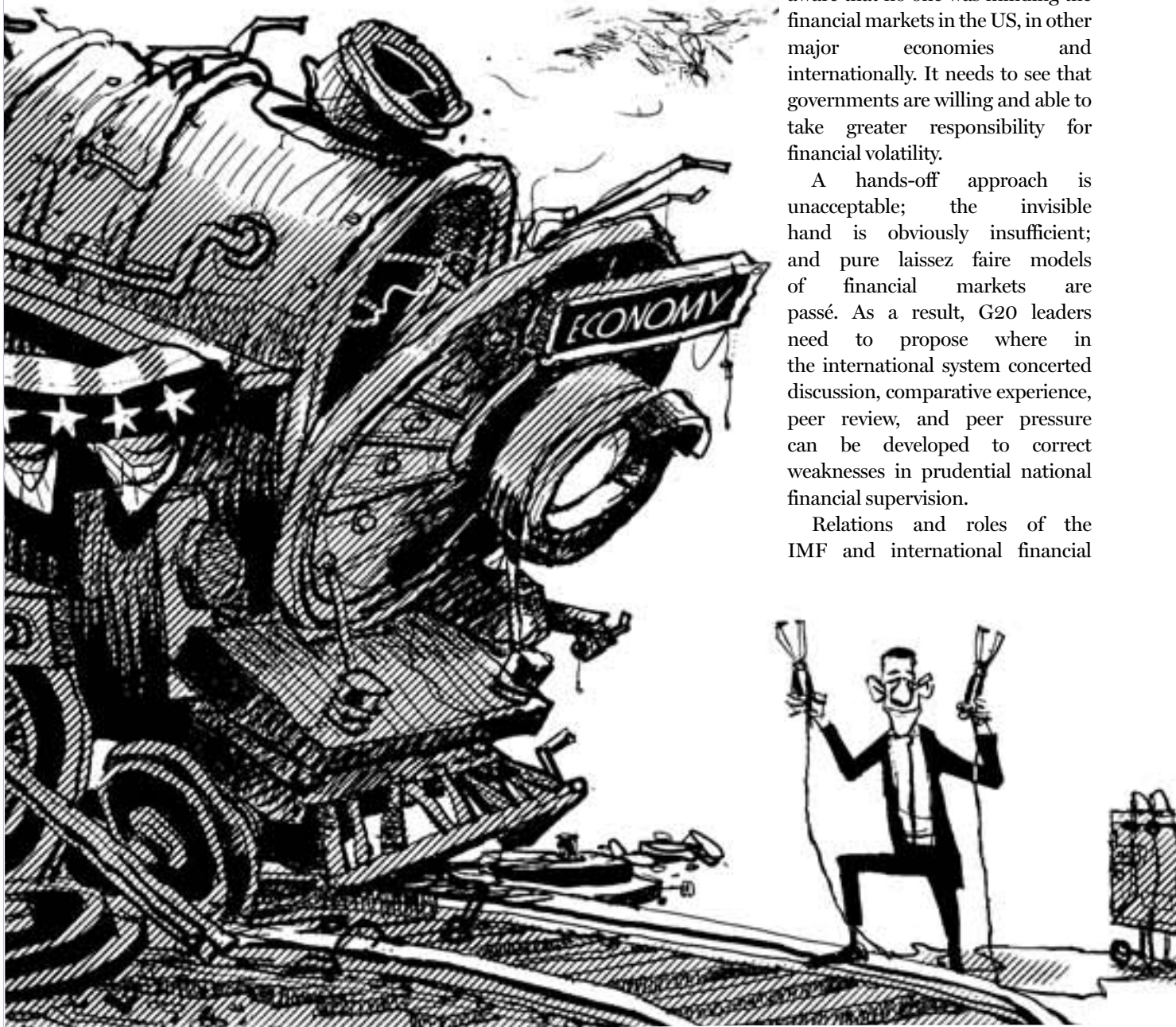
FOUR MAJOR ISSUES

The confluence of global challenges makes it imperative that the April summit make progress on four major issues. First, there needs to be a concerted effort to coordinate tax cuts, public investment and government spending by most G20 countries. The Chinese led-off in November with a \$586 billion infrastructure investment program; the Obama administration has followed with \$789 billion. British leadership needs to encourage other countries to take similar measures. Proportionate, as contrasted with differentiated, expansionary actions by governments would multiply the multiplier effects, generating significantly higher economic growth and job creation than fewer countries acting independently.

Second, there needs to be a decision on international mechanisms to strengthen domestic processes and institutions for financial market oversight, supervision and regulation. The public is now aware that no one was minding the financial markets in the US, in other major economies and internationally. It needs to see that governments are willing and able to take greater responsibility for financial volatility.

A hands-off approach is unacceptable; the invisible hand is obviously insufficient; and pure laissez faire models of financial markets are passé. As a result, G20 leaders need to propose where in the international system concerted discussion, comparative experience, peer review, and peer pressure can be developed to correct weaknesses in prudential national financial supervision.

Relations and roles of the IMF and international financial



consultative bodies in Basel need to be sorted out. No one is better positioned to lead on this than Brown, with some help perhaps from Trevor Manuel, long-time finance minister of South Africa and chair of the IMF-World Bank ministerial-level development committee for many years.

Third, the UN sponsored conference on climate change in Copenhagen in December, is expecting new climate change proposals for discussion and agreement so that parliaments can ratify them before the Kyoto Protocol agreement ends in 2012. Progress so far has been glacial.

G20 leaders need each to appoint a climate negotiator, an inter-ministerial, politically potent personality who can bridge domestic divides and contribute to a global consensus.

Leaders should mandate these climate negotiators to meet frequently and interact intensively to develop an agreed framework for further international discussion and decision well before December.

Fourth, the reform of the international financial governance architecture, especially the IMF and the World Bank, long discussed and delayed, needs to be dealt with decisively.

A significant signal of intention to make deeper and more detailed institutional reform of these Bretton Woods structures could be made if European and American leaders could decide now to make the process of leadership selection at the Bank and the Fund open, merit-based and voted on by the membership. This would mean abandoning the practice in which the president of the World Bank is selected by the president of the US and the head of the IMF by Europeans, most recently by the president of France.

This would signal to emerging Asia that the west is serious about transforming the Bretton Woods agencies from transatlantic institutions into truly global ones with Asia's full-fledged involvement. It would set the stage for generating substantial new resources for the IMF and the Bank, more significant roles for both in the global economy and greater engagement of non-western countries in their governance.

AT THE APEX

Without bold strokes in these four areas and others, confidence will not return to markets, global demand will continue to plummet, the prices of oil and money will continue to fail to reflect their real cost, and the international financial institutions will not have the clout to exercise influence on the global economy.

If the April summit is a success, then

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MARCH 25 Prospects of Secular Islam Dr Khaled Hroub, Cambridge Arab Media Project

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there will be a third such gathering late in the year, the processes put in motion will drive the G8 summit in July in Italy, and the G20 leaders will set the agenda for the annual meetings of the Bank and the Fund in October in Turkey and the climate change conference.

It will have established itself as the apex summit, replacing the G8 as the global steering mechanism, and the G8 will become a western caucus feeding ideas, proposals and recommendations to G20 leaders.

MORE INCLUSIVE

While the inclusiveness of the G20 is undoubtedly better than the G8, there is still a glaring absence of smaller, lower income countries. Serious arguments can be marshaled to suggest that the G20 needs to be rethought to become fully legitimate in the eyes of those from less important countries. There are several ways representation can be dealt with.

Regional caucuses could gather views from countries which are not members of the G20. For example, Brazil, Mexico and Argentina could agree that for each summit, one of them would represent perspectives from other Latin American countries. A similar procedure could be adopted in Asia and the Mediterranean.

South Africa already makes a decided effort to put forward the views of sub-Saharan Africa. At some point, a chair at the G20 summit might be given to the African Union presidency which rotates among African countries. Part of the responsibility of global leadership is to represent those who have no other means to have their views heard in the G20 forum.

Another way to get other countries involved is to have



working groups on specific issues with smaller sub-groups of G20 members to accommodate non-G20 countries while still keeping the number of participants below twenty.

Regional summits, such as the Association of South-East Asian Nations and the Summit of the Americas could forge regional perspectives and proposals to be considered by the G20.

A G20 secretariat may come into being, which could be open to input from regional institutions such as the UN Economic Commissions and the regional development banks and organisations like the Commonwealth Secretariat and the Africa, Caribbean, and Pacific group.

The principle is to use existing mechanisms to enable the G20 to incorporate regional viewpoints into integrated global approaches.

FOCAL POINT

Pressure to be more inclusive will not stop with the transition from the G8 to the G20, nor should it. The G20 should develop more porous mechanisms for absorbing diverse views and reconciling them into pragmatic approaches to global problems.

The membership itself should not be taken as a given for the next thirty years, the way that the G7 countries have remained the core of summits since 1977. But, for the moment, given the urgency and political saliency, the G20 should be the new global steering committee, replacing the G8.

The world needs a continuous, single focal point for addressing urgent priorities. For now, that focal point is the G20. It is not perfect, its criteria for membership are murky, but it has a ten-year track record of accomplishment at ministers of finance level. Its official networks of communications and practice are highly valued in international economic policy circles and there is a level of familiarity, trust and confidence among economic officials.

We need to seize the moment and the expanded summit mechanism we have before us and deal with global challenges ambitiously and forcefully making the mechanism work for the good of the globe. 