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## Pragmatic Reform of Global Governance: Creating an L20 Summit Forum

JOHANNES F. LINN AND COLIN I. BRADFORD, JR.

**T**he global challenges confronting political leaders today—whether the stalemate of global trade negotiations, the threat of Avian flu, the struggle over Iran going nuclear, or the fight against global poverty—cannot be solved by yesterday’s institutions. They demand new approaches to global governance that are more inclusive, more representative, and thus more effective.

The G8 summit, in particular, is a forum of the eight industrialized countries that were the dominant powers of the mid-twentieth century. By excluding the emerging powers of the twenty-first century, it has become increasingly ineffective, unrepresentative and illegitimate. U.S. global interests are best served by increasing the inclusiveness and effectiveness of the global steering process rather than sticking with the obsolete, overly formalized and unrepresentative G8.

The most appropriate and pragmatic solution is for the “Group of Eight” to make room for and eventually give way to an expanded summit of 20 key leaders as the new forum of global negotiation and decisionmaking. By bringing the major emerging market economies “into the tent,” they would be encouraged to contribute constructively to the solution of global issues and share the burdens of challenges that the old industrial countries cannot expect to solve on their own.

### THE CHALLENGE OF GLOBAL GOVERNANCE REFORM

The United Nations Summit of September 2005 was conceived with lofty expectations for strengthening the system of global governance by reforming and strengthening the UN. However, little was achieved. This failure has left unanswered the challenge which the world faces in creating a more legitimate—that is, more effective and inclusive—system of global governance than currently exists.

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The limitations of the current global governance institutions are manifold and manifest. The UN decision making processes are cumbersome, mostly ineffective and hard to change. The International Financial Institutions (IFIs) have specific operational mandates and do not offer summit-level forums for addressing overarching global issues. And they face their own intractable issues of legitimacy. The Group of 8 (G8) is a summit forum of countries that were the dominant powers of the mid-twentieth century, but excludes the new powers of the twenty-first century. Thus, it has proven itself increasingly ineffective, unrepresentative and illegitimate as a global steering group. Other global organizations and forums are fragmented, single-issue focused and do not function as summit-level integrative mechanisms.

There have been many reform proposals to address the weaknesses in global governance. These include ideas to improve decisionmaking at the UN, for example, by setting up a Socio-Economic-Environmental Security Council which would provide guidance for socio-economic and environmental global issues. Others have pushed reforms of the IFIs, including a proposal to upgrade their governing bodies to summit level forums. There also has been some debate around various ideas of reforming the G8 summits to make them into a more effective global steering mechanism. From our perspective, in view of the track record of failed efforts to reform the UN

and the IFIs, the last avenue—reform of the G8—represents the best opportunity in the foreseeable future to advance global governance reform in a pragmatic and meaningful manner and, indeed, as a first important step towards reforming the other global institutions as well.

### THE CHALLENGES FACING THE G7/8 AND THE G20

The G7 was formed in 1977 as a forum for the major Western industrial economies to deal with economic imbalances among them. During the days of the Cold War the G7 also saw itself as a club of democracies intent on countering the threat of Soviet power and expansionism. After the collapse of the Soviet Union and the end of the Cold War the president of Russia was invited to attend G7 meetings. Since 1998 Russia joined as a full member of what then became the annual G8 Summit. Over the years the leaders of selected non-G8 countries have been invited to join parts of the G8 Summits on an ad hoc and part-time basis in an effort to increase the reach and inclusiveness of the annual summit events.

While Russia was admitted to the G8, the G7 finance ministers and central bank governors, who had been meeting in between the annual G7 Summits, did not invite Russia to join them. Instead, in 1999 in the wake of the 1997–98 global financial crises, G7 finance ministers set up a new finance forum, the G20, which includes the major emerging market economies (see Figure 1). As a result, in

effect a two-track global steering mechanism is now in place, with a “Finance” track of the G7/G20, and a “Leader” track of the G8. In view of this development, we will refer to the G7/G20 as the “F7”/“F20” and to the G8 as the “L8” in the remainder of this Policy Brief.

The F20 (G20) is geographically and culturally diverse, is broadly representative with two thirds of the global population, and represents about 90% of the global economy. The emerging market economy members of the F20 have become fully engaged, with China chairing the F20 in 2005 (as India and Mexico did in earlier years). Most observers credit the F20 with a productive track record in dealing with important global financial issues.

At the same time, the legitimacy of the L8 (G8) has been increasingly under-

mined by two incongruent trends: On the one hand, the L8 summits have increasingly turned from issues of coordination internal to the group to issues of broad global economic and political significance, with the L-8 arrogating to itself de facto the role of a global steering committee. On the other hand, the rapid shifts in demographic and economic weight from “North” to “South” have made the L8 increasingly unrepresentative. Moreover, L8 summits have been characterized as increasingly formalized and lacking real impact in addressing major global challenges. (See “Global Economic Governance at a Crossroads: Replacing the G-7 with the G-20,” *Brookings Policy Brief #131*, April 2004).

There have been frequent calls for improvements in the two tracks of the global steering mechanism: Some have called for further strengthening of the “Finance” track. Others have called for a broadening of the “Leader” track. We believe the setting up of an L20 in tandem with the F20 is the most appropriate and pragmatic route to follow for quick and meaningful progress in global governance reform.

## PROPOSAL FOR AN L20 SUMMIT FORUM

There are many good reasons for setting up an L20 summit forum. First, there is a need for an effective, representative and legitimate global steering process to address global challenges. The L20, while by no means perfect, goes a long way towards the goal of inclusiveness and

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**Figure 1**  
**The G20 Countries**

Industrialized Economies	Developing Economies
Australia	Argentina
Canada	Brazil
France	China
Germany	India
Italy	Indonesia
Japan	Korea
Russia	Mexico
United Kingdom	Saudi-Arabia
United States	South Africa
EU Presidency (when not G7/8) and European Commission	Turkey



*“The L20 could be an effective forum to push ahead reform in other global institutions.”*

*“The L20 would be useful forum for building coalitions and searching for appropriate compromise and trading off across different issues.”*

broad representativeness. Second, the L20 would bring the major emerging market economies “into the tent” so that they are encouraged to contribute constructively to the solution of global issues and share the burdens of the many global challenges that the old industrial countries cannot expect to solve on their own. Third, global challenges increasingly cut across individual agencies and sectoral forums; hence an integrated view is needed at the leaders’ level that cuts across ministerial, sectoral, and agency lines. Fourth, reforms of other global institutions are important, but are not likely to progress quickly (UN, IFIs, etc.). And finally, the F20 (G20) already exists at the ministerial level, albeit with a narrow finance focus; an L20 can be created by simple invitation without complex legal action and without opening up the Pandora’s Box of deciding who is in and who is out of the group. The L20, once established, could be an effective forum to push ahead reform in other global institutions.

#### KEY QUESTIONS FOR G8 SUMMIT REFORM

Five questions need to be addressed in arguing for an L20 summit proposal:

##### **Question 1: What is the role of the L20 summit forum?**

A common question is whether the L20 is to function as a global steering mechanism or as forum for discussion and networking among major global players. Our answer is that the L20 should and

would function in both capacities, depending on the subject under consideration. Where consensus on needed actions can be reached among the L20 members, this should be translated into directives to their representatives at the appropriate international and national bodies that would be charged with implementing the agreed actions. For areas where consensus cannot be reached, the L20 would serve as a useful forum for exchanging views and narrowing differences, for building coalitions and searching for appropriate compromise and trading off across different issues.

##### **Question 2: Is an L20 a legitimate global governance forum?**

Legitimacy of a governance body derives from the combination of representativeness and effectiveness but, unfortunately, there is an inevitable tension between these two determinants of legitimacy. As the number of participants increases, a summit becomes more representative of the world community, yet at the same time its effectiveness as a deliberative and decisionmaking body is likely to decline. However, it is important to remember that implementation effectiveness also matters. If a forum achieves consensus, but key actors needed to implement the agreed action are not at the table, chances are that the action will not be effectively implemented. While there are no hard and fast rules for determining the optimum size, we believe that the L20 represents an acceptable tradeoff among objectives and conveys an

appropriate degree of legitimacy. Its legitimacy could be further enhanced if ways could be found to have some (or all) participants speak not only for themselves, but also on behalf of groups of non-represented countries by, for example, bringing to the table the views of regional bodies, such as the African Union.

**Question 3: What substantive areas would the L20 summit address?**

This is a very common question rightly asked. One answer is that any topic of global significance suitable for the L8 (G8) is also appropriate for the L20. Another answer is that an L20 will make up its own agenda in response to evolving pressures of global issues. However, it is clearly useful to demonstrate that for some global issues a broadly representative summit process would add value. And an early “win,” that is, an L20 summit that could successfully address an obviously critical global issue, would help establish a good precedent.

In our view there is no dearth of important topics of critical global significance and urgency that an enhanced summit forum could and should address. An L20 summit on the Doha Trade-Development Round would be highly desirable at this time, albeit perhaps risky since agreement may still prove elusive. Another area of urgency for which an L20 summit could be convened is the issue of global epidemic threats, and in particular the threat of avian flu. A third area of immediate urgency is the question of how

to deal with Iran’s intention to go nuclear. Other possible areas would be to mobilize global attention and support for the war on global poverty, and in particular for the achievement of the Millennium Development Goals; to deal with the current global energy crunch; to address global environmental threats, such as global warming; to develop strategies for preparedness and response to major natural disasters such as the tsunamis, hurricanes, and earthquakes that struck in 2005; and to address global security issues, including weapons of mass destruction, terrorism, and failed states. Finally, an L20 summit would be an excellent forum at which to seek agreement on long-elusive reforms of the existing international institutions (especially reform of the UN and of the IFIs). These are all global issues, not restricted to the industrial countries of the twentieth century. There is no focal point now for dealing with these problems. This void at the apex weakens the world’s capacity to manage itself in the twenty-first century.

**Question 4: Why an L20 rather than other summit options?**

Much of the discussion on the topic of summit reform revolves around the membership and constellation of the summit framework. We summarize the most commonly considered options in Figure 2. They start with the status quo (with an F7 and F20 on the finance track and the L8 on the leader track). A minimal reform option would add one or

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*“An even more radical step would be to merge the five EU ‘chairs’ into one chair.”*

two large emerging market countries (such as China and/or India) to the L8. While this would represent progress, we believe a geographically, economically, and demographically more inclusive approach is appropriate and feasible.

A somewhat more ambitious, but still incremental reform would mean the establishment of an L20. More radical options would in addition eliminate the L8 and/or F7. Under the principle of a “hard budget constraint for institutions”—that is, whenever a new institution is added, an existing one should be abolished—this would be recommendable, even though it may not be a realistic option in the near term since the current G8 members are likely to be unwilling to give up that summit forum for now. An even more radical step would be to merge the five EU “chairs” into one chair. This would have the benefit of

reducing the number of chairs or freeing up some chairs for other significant countries, currently excluded from the F/L20. Such a step is not likely to be acceptable to the EU members in the foreseeable future, especially since the EU constitution has been put on ice.

Other options could also be considered if a radical departure from the current summit framework is thought to be desirable and feasible. Some have proposed narrowing down the summit membership further in the interest of efficiency and congruity of interest (e.g., an L2 for the EU and the U.S., or an L3 for the EU, Japan and the U.S., or an L4, which would add China to the L3). We believe that a narrower membership base is a move entirely in the wrong direction. Others have suggested a “Variable Geometry” summit framework. This would start with a core of summit members (e.g., an L12 consisting of the L8 members plus Brazil, China, India, and South Africa) and then add a different set of additional countries, subject to some maximum number (say eight, for a total of no more than 20) depending on the subject matter of the summit. For example, for trade a certain group of eight countries could be added which are most critical for reaching agreement at the Doha Round, while for a summit on the avian flu a different set of eight countries would be involved, presumably those most critical to its world-wide control. “Variable Geometry” has much intuitive appeal, since it would bring to the table a limited

<b>Figure 2 Options of Summit Reform</b>			
1. Status Quo:	F7/L8	+	F20
2. Minimal:	F7/L9	+	F20 (e.g., add China to L8)
3. Incremental:	F7/L8	+	F20/L20
4. Less Radical:	F7	+	F20/L20
5. Radical:	F20/L20		
6. More Radical:	F16/L16 (one seat for EU) or add a few countries to Option 6		
7. Other Options:	F/L 2,3,4, or “Variable Geometry”: L(X+Y), where X is the permanent core and Y varies depending on topic matter		
Note: F=Ministers of Finance; L=Leaders (Summit)			

number of the most appropriate countries and over time would be more inclusive than, say, a single L20 forum. The main problem with this approach is likely to be the difficulty of deciding and agreeing for each topic who is in and out, and to manage the process of multiple summit membership tracks for different topics. The non-core members will also likely be regarded as second class since they do not universally and permanently participate.

Based on wide consultations with officials in the G20 countries we have concluded that the more radical options shown in Figure 2 are currently not realistic in terms of likely acceptance by key participants, while other options either go in the wrong direction (narrowing the scope of membership) or are too cumbersome to implement (Variable Geometry). Proceeding incrementally, by creating an L20 and subsequently moving to some of the more radical solutions (reducing the number of summit forums and consolidating the EU chairs) appears to us both a desirable and pragmatic option to reform progressively a key element of the global governance structure.

**Question 5: How would an L20 be implemented?**

A number of implementation issues have to be addressed. First, how to ensure informality of discourse among the leaders in a larger group, when this is already a problem for the smaller group of the L8 (G8)? This could be achieved by getting leaders to meet, at least for part of

the summits, without their retinues of ministers and other assistants in an informal setting. Second, how to organize the presidency of the summit? One option would be to adopt the current F20 (G20) rotating “troika” approach, where the immediate past and future presidents form a troika with the current chair in setting the agenda and monitoring progress. Third, how to organize the secretariat function? It could be informal along the lines of the current summits; or a formal, standing secretariat could be established, possibly at an existing institution, such as the OECD, UNDP or World Bank. Fourth, would there continue to be a “sherpa” process as for the current summits? Even with a formal secretariat this would seem appropriate and for specific thematic areas, such a trade, health, and environment, a preparatory process led by ministers could be envisaged. Finally, what would be the links, formal or informal, to other global institutions (the UN, the IFIs, WTO, WHO, etc.)? One option is to continue the practice of inviting the UN General Secretary and the heads of IFIs to the summits. In addition, links would be established or maintained at the ministerial level, by the sherpas and by the secretariat, if one is created.

**CONCLUSION**

These are important questions and they deserve to be considered carefully by the main stakeholders in the global governance debate. However, we also believe that the sooner a decision is made to

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expand the current, overly restricted and obsolete L8 (G8) summit group the better. In our view the L8 is unable to serve as a legitimate global governance forum. This will become increasingly and ever more painfully obvious as time progresses. The earlier the current membership of the L8 moves on summit reform, the better. In our view the L20 offers a “ready made,” pragmatic option to move forward quickly, visibly and effectively with the global governance reform agenda. Alternatives could and should be considered, and questions of purpose, representation, effectiveness and legitimacy, of substantive focus and implementation should be explored. But bearing in mind that summit reform can be a first step to more global governance change down the road, it would be better to move sooner rather than later with creating a more inclusive global summit framework.

There is little doubt that no such change will happen unless the U.S. participates actively in the process of deliberation and exploration of alternatives and then agrees to a new summit format. In April 2004 we argued (in *Brookings Policy Brief #131*) that summit reform is in the U.S. national interest, but that it would entail significant shifts in U.S. foreign policy—from Atlanticism to globalism, from unilateralism to multilateralism, and from leadership by power to leadership by persuasion and inclusion. This is even more true today than it was then. Perhaps the chances that the current U.S. administration will consider summit reform seriously are somewhat better today than they were two years ago. U.S. global interests are best served by increasing the inclusiveness and effectiveness of the global steering process rather than sticking with the L8 that is now obsolete, overly formalized and unrepresentative. **B**

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