

WELCOME TO THE NEW ERA OF G-20 GLOBAL LEADERSHIP

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FRAMING THE ISSUE

In retrospect, it is likely that history will reveal the London G-20 Summit on April 2, 2009 as being the most successful summit ever. The previous 25 years of G7 and G8 summits have not delivered the same degree of results. The G-20 London Summit has achieved an unprecedented concerted fiscal expansion, which may be the turning point in addressing the worst recession since the Great Depression. It initiated significant national and international reforms in the oversight, supervision and regulation of financial systems and institutions. And it launched a process of reform of the international financial institutions—such as the IMF and the World Bank—which, among other things, should restore the IMF to its pivotal position in the global financial system along with the resources it needs to carry out this role.

More than that, the series of G-20 summits since November 2008 to the upcoming summit in Pittsburgh reveal a gradual increase in the reach of G-20

efforts in addressing broader issues. The initial G-20 summit in Washington, 10 days after the U.S. presidential election, was exclusively focused on the financial crisis and economic recovery. While the G-20 London Summit further concentrated on the crisis and recovery, it also called on the G-20 to accelerate the development of a post-Kyoto framework on climate change. At an expanded session of the 2009 G8 summit in L'Aquila, Italy, 17 countries issued a call for G-20 finance ministers to focus on proposals for funding climate change mitigation and adaptation in developing countries—a major stumbling block in the climate change negotiations—to be presented to heads at the G-20 Summit in Pittsburgh.

So, in less than a year, three G-20 summits will have occurred in which the financial crisis, economic recovery, international institutional reform and climate change will have been addressed and specific actions will have been prepared. This is more than can be said for many G8 summits.

POLICY CONSIDERATIONS

Moving forward, will this lead to summit reform and establishment of a more legitimate and effective steering committee than the outdated G8?

In August, French President Nicolas Sarkozy noted in a meeting with French ambassadors that “the transformation of the G8 into the G14 has taken a decisive step forward.” He claims that France supports Brazil’s request to terminate the G8 and that the Canadian presidency in 2010 will begin to transform the G8 summit into a G14 summit. President Sarkozy further remarked that France intends to “totally finish the [summit] transformation into the G14 under the French presidency in 2011.”

This is a puzzling prognostication of the result of summit reform efforts of recent years. It is puzzling because it is inconsistent in itself, and inconsistent with the pattern and performance of the G-20. Having a G14 is a new idea, not a given idea. The G8-plus-5 (China, India, Brazil, South Africa and Mexico) have been meeting in the sidelines of the G8 since the 2005 summit in Gleneagles and has some record of continuity and acceptance. Italy added Egypt, with French support, to one of the segments of the G8 Summit sequence in L’Aquila. Presumably, President Sarkozy is pushing for a G14 as a result of the G8-plus-5-plus-1 (with Egypt being the added country).

The challenge with this grouping is three fold: It is not widely accepted; it is an extension of the G8 rather than a replacement; and it is overturning the pattern and trend of G-20 summits taking center stage.

Enlarging the G8 to a new G14 has the effect of replacing the G-20 as the global steering group that it has become. If this were to happen, it would strip out a number of key countries now playing important roles in the new global leadership forum of the G-20: *Australia*, a leader of international reform and advocate of multilateralism; *Korea*, a model country of long-term dynamic economic growth; *Indonesia*, the largest Islamic country in the world; *Turkey*, another Muslim country that is an historic bridge between East and West; *Saudi Arabia*, an Arab Muslim country and leading oil producer; and *Argentina*, perhaps the only country membership in the G-20 that could be seriously questioned. It will also eliminate two European countries—the Netherlands and Spain—which President Sarkozy heavily pushed to include last November.

The smaller G14 has less to recommend in terms of representativeness than the G-20, has no track record, and has little claim to replace the G-20 except perhaps as a device to continue the G8 at the center of a G14 in which the original eight are in the majority. A G13 or G14 might have made sense as a significant summit reform if the G-20 summits had not already emerged as the new focal point for global leadership. Now it is a retrogressive step. If Mr. Sarkozy’s real concern is with the large size of the G-20—which is at odds with his push to have countries added not too long ago—then the next logical step is to reduce the excessive European representation, not to push out key emerging economies.

ACTION ITEMS FOR THE G-20 SUMMIT

The G-20 is establishing itself as a forum, taking *responsibility* for global macroeconomic policy as an

instrument of public policy for the public good. It is asserting *stewardship* of the global financial system on behalf of the public interest, replacing the idea that hands-off market fundamentalism is best. And the G-20 is becoming the *driver* of international institutional reform based on the idea of the *international community* as a keeper of the peace and a protector of all the world's people, rich and poor, filling the void in leadership of the international system. A permanent, but lean secretariat would help ensure an effective function of the G20 in future.

The purpose of the G8 in this context is to yield center stage to the G-20 and to assign itself to the role of caucus for its members. This would give the G8 countries a new role to sort out positions among themselves and to facilitate the functioning of the G-20. It should end the pretense that the G8 is the global steering committee and the masquerade of inviting leaders from the non-G8 world as guests instead of members. Canada and France as hosts of the G8 summits in 2010 and 2011, respectively, have the honorable and high-minded job of scaling back the G8 to a new supportive role rather than being the awkward handmaidens of a new G14 in the new era of the G-20 which has already begun.