Center for American Progress

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# The Case for Leadership

## Strengthening the Group of 20 to Tackle Key Global Crises

Will Straw, Matt Browne, Sabina Dewan, and Nina Hachigian March 2009

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# Introduction and summary

President Barack Obama will head to London early next month to meet with 8 prime ministers, 11 other presidents, one chancellor, one king, and several regional and international organization leaders. This will be the second time that heads of state and government of the Group of 20 nations meet to discuss the cascading financial and economic crises now engulfing most of the world.

The first time was in the fall of 2008 as the shock waves from the subprime mortgage crisis reverberated across the globe. British Prime Minister Gordon Brown and French President Nicholas Sarkozy called for a global summit to stem the financial contagion and reassess the world's outdated financial architecture. Former President George W. Bush responded by convening the first-ever G-20 leaders meeting in Washington, D.C. last November.

That first meeting produced a timetable of actionable points and paved the way for the "London Summit" on April 2 where a similar group of leaders will debate an even broader array of the most pressing issues facing the international economy and the health of the planet. If all goes well, they will agree upon:

- Coordinated economic stimulus measures to reverse the global economy's downward spiral.
- Principles or perhaps a new regulatory architecture for policing the largest global financial institutions.
- A new course for global trade negotiations.
- New steps to reduce greenhouse gas emissions worldwide.
- Increased assistance for developing countries to structurally rebalance the world economy.
- Updated roles for the International Monetary Fund and World Bank.

This is quite a list. Even if President Obama and his counterparts from the leading nations of Europe, Asia, Latin America, and Africa do agree on the broad principles necessary to make all this happen, there remains the huge task of actual implementation.

Make no mistake: decisive action on all of these issues could not be more critical—the welfare of billions of people is at stake. Yet there's no getting around this simple fact—no single existing institutional structure has the legitimacy to lead discussions on global economic governance. The International Monetary Fund and World Bank, though a key part of the discussion, are unpopular in much of the developing world and have a narrow mandate. The United Nations is more focused on security issues and the U.N. Security Council does not have the right set of players. The more effective U. N. Framework Convention on Climate Change is engaged with only one of these key crises.

Similarly, other multilateral financial and economic organizations, such as the World Trade Organization, the International Labor Organization, the Bank for International Settlements, while critical, are inappropriate venues for realizing global consensus on today's worldwide economic and financial crises.

The potential of a properly constituted, executive-led G-20 is exciting. Until now, no other small but influential international forum gave emerging powers such as China, India, and Brazil a real say in global economic governance.

So who can play that role? We believe President Obama should propose at the very beginning of the London Summit that he and other leaders agree to permanently establish a G-20 leaders forum to ensure that whatever is agreed upon at the London summit is implemented effectively to deal with the world's immediate crises. The members of this forum would initially be the current leaders of the G-20 countries, but the forum would have a built-in mechanism to allow for flexibility in the future.

The potential of a properly constituted, executive-led G-20 is exciting. Until now, no other small but influential international forum gave emerging powers such as China, India, and Brazil a real say in global economic governance. Nor have other significant regional economic players such as Mexico, Indonesia, and Saudi Arabia ever been included in such a group alongside the established rich world democracies and Russia.

The G-8, comprised of the United States, Britain, France, Germany, Japan, Italy, Canada, and Russia, is a showcase of an antiquated world order that today cannot execute its mandate to tackle global problems without including other new, pivotal world powers. This problem has been recognized for some time now: Witness the dreams of many policy wonks over the past several decades to replace the G-8 with a G-13, G-14, G-16, or G-20.

Then, in 2008 the enormity of the global economic and financial crises upped the stakes for all nations. The first meeting of the G-20 leaders in Washington last year led to the forthcoming meeting in London next month. The G-20 as currently comprised is more legitimate than any other exclusive leaders group. The problem is that meetings of the leaders of the G-20 (see membership box) have so far been ad hoc. To ensure the G-20 does not become ineffective over time like other international forums (such as the G-8), four steps must be taken at the London Summit.

First, the G-20 needs a clear mission. It should focus principally where its membership has particular expertise and the world has particular problems, which right now are clearly economic and financial issues. Other critical global challenges—first and foremost climate change—also have significant economic and financial components and should be included in the G-20's remit. But this is not the forum to coordinate responses to such issues as drug trafficking or human trafficking, as noble as these goals are. Too broad an agenda will make it difficult for the group to make substantial progress on any one issue. The G-20 needs to be able to produce deals that range across a clear set of issues, such as more stringent greenhouse gas emission targets in exchange for reduced agricultural subsidies.

Second, the membership of the G-20 needs to be able to evolve. We are in the middle of a terrible crisis, so now is not the time to open the question of which leaders will attend. But it is critical for the G-20 to agree on an evolving membership at the outset. We propose that every five years, beginning in 2014, the composition of the group is refreshed. We suggest a mechanism whereby the membership is made up of the top two economies from the major regions of the world—the Americas, Europe, Asia and the Pacific, North Africa and the Middle East, and Sub-Saharan Africa—alongside the next top 10 economies in the world. Membership would be calculated according to the gross domestic product of each country using purchasing power parity. PPP uses the long-term equilibrium exchange rate of two currencies to equalize the number of goods and services that can be purchased with a unit of currency. Perhaps it is more than we can expect for politicians to build in a mechanism that could one day kick them out of their own group, but a jaded public would welcome their foresight and consideration of the common good.

Third, the G-20 will need a modest organizing body. The G-8 was able (barely) to get by without a permanent office and staff, but the G-20 cannot. It should be very small and located, ideally, in a non-G-8 country—we suggest Turkey or India to signal the G-20's new inclusiveness. The secretariat's job will be to organize the meetings, coordinate implementation of the action plan that comes out of summits with other international organizations—such as the World Bank—and, importantly, communicate with and solicit opinions from the non-government organization community of charities and public interest groups and the broader global public.

Last but not at all least, the G-20 must focus on substance over style. Leaders should hold the meetings in the same place every year—spring meetings in the same city as the secretariat is based and fall meetings in New York alongside the United Nations General Assembly—so that each summit does not become a parade through the cultural monuments and natural wonders of the host country. Leaders should meet behind closed doors and issue no pre-written communiqué; the current G-8 process of negotiating lowest common denominator diplomatic language for the final document chews up the bulk of the brain power, political capital, and time. The G-20 needs to make progress on real issues, and then swiftly release minutes reflecting what was discussed—much as the U.S. Federal Reserve Board does—so that there is a public record to which leaders can be held accountable.

In the following pages we will briefly review the recent history of international summitry leading up to the G-20 meeting next month, highlight the principal issues we believe the leaders of these nations should confront at the London Summit, and then present in detail our proposal to establish the G-20 as a permanent international institution capable of forging global solutions to global problems. We believe this is the right way to address the key challenges of the 21st Century, and we urge President Obama to endorse the swift institutionalization of a G-20 architecture.

# The genesis of the G-20

The leaders of the Group of 20 developed and developing nations meeting in London early next month are suddenly the new global leadership, in effect superseding the elite Group of 8 countries that have dominated the commanding heights of the global economy for much of recent history. The severity of the world economic and financial crises that prompted their first meeting in Washington late last year has only deepened since then, prompting great expectations for this second meeting.

It is important that these world leaders quickly settle on their mission and composition given this deep responsibility. In doing so, they would do well to remember lessons provided by history and ensure that they are equipped to address tomorrow's challenges rather than those of the past.

The emergence of the G-20 as a body of global economic governance is unique.

The emergence of the G-20 as a body of global economic governance is unique. Previous international organizations and treaties have generally been composed of the victors of the last major war. This fact has inclined them to be backward-looking, focused on preserving a static world order. This was true of the 19th century's Concert of Europe, for example, which was the predominant structure of international law following the end of the Napoleonic Wars. The Concert of Europe sought to contain France after decades of belligerence, tamp down revolutionary impulses inspired by the French revolution, uphold the territorial arrangements made at the 1814-1815 Congress of Vienna, and maintain the balance of power in Europe.

This pattern also held true at the end of World War I. The 1919-1920 Treaty of Versailles, which established the ill-fated League of Nations, castigated the losing Germans and required debilitating reparations. The result: World War I's victors sowed the seeds of the new order's own destruction in the global conflagrations of the 1930s and 1940s.

The 1945 Charter of the United Nations was an attempt to avoid the mistakes of Versailles, creating a more encompassing global organization led by a Security Council, but even still the five victors of World War II became the permanent members, each wielding a veto. Although the United Nations contributed to global security in a number of ways, over time the Security Council arrangement came to reduce the legitimacy of the United Nations in the eyes of many countries, which see the Security Council configuration as unfair and outdated.

Then there are the so-called Bretton Woods global financial institutions—the IMF and World Bank—created to ensure that the economic mistakes made at Versailles were not repeated after World War II. These multilateral financial institutions were also successful in a variety of ways, but over time their power structures increasingly failed to reflect the changing global economic landscape while their missions remained rooted mostly in the past.

The various groups comprised of the world's leading industrialized nations are another example of backward-looking rather than forward-looking multilateral bodies. The Group of 6, created in reaction to the 1973 oil shock and subsequent global recession, included the six largest economic powers at that time—the United States, the United Kingdom, West Germany, Japan, France, and Italy. It later expanded to accommodate Canada in 1976, becoming the Group of Seven, and then Russia in 1997, becoming the Group of Eight.

Nevertheless, as first China, then India and Brazil came to boast economies larger than some of the G-8 members, the G-8's ability to be a legitimate and therefore effective forum for policy action was increasingly called into question.[1] At the same time, the Asian financial crisis of the late 1990s brought together a larger group of finance ministers and central bankers, first as a Group of 22 in 1997 and then as a Group of 33 in 1999. The G-20, established later in 1999, was formed largely as the result of a decision by then-U.S. Treasury Secretary Larry Summers (now President Obama's National Economic Council Advisor) and then-Canadian Finance Minister Paul Martin to create a more manageable collection of 19 countries plus the European Union that included the G8, the leading emerging-market countries, and greater representation from the Middle East through the inclusion of Saudi Arabia and Turkey.[2]

The morphing of the G-20 from a group of finance ministers and central bank governors into a leaders' forum for global economic governance happened by accident rather than design. The November 2008 gathering in Washington, D.C. was the first meeting of G-20 leaders and was initially seen as a unique one-off with the outgoing "lame duck" U.S. president in the chair rather than the 2008 G-20 host, Brazil. The commitments made at the Washington meeting alongside the deepening economic and financial crises paved the way for the London Summit—and prompted our research into the efficacy of strengthening the G-20's leadership capabilities.

Our G-20 proposal is linked first and foremost to the parlous state of the global economy and environment today. The World Bank predicts that both world economic output and the volume of global trade will shrink in 2009—for the first time in over 60 years—while no time can be wasted in saving the planet from the perils of climate change. Therefore, a pressing need exists for a legitimate and effective body of global economic governance. This body should be empowered to:

- Make coherent trade-offs on different policy issues.
- Provide political and financial support for the agreed upon action plan.

### Current members of the G20

| | |
|---|---|
| Argentina | Italy |
| Australia | Japan |
| Brazil | Mexico |
| Canada | Russia |
| China | Saudi Arabia |
| European Union | South Africa |
| France | South Korea |
| Germany | Turkey |
| India | United Kingdom |
| Indonesia | United States |

- Hold to account the Bretton Woods institutions and other multilateral bodies focused on economics.
- Innovate in the domain of global economic and environmental finance.

The Group of 20 leaders need to commit to broad principles in pursuit of these objectives and then engage in serious negotiations to ensure that the forum is converted into a permanent but evolving leadership forum.

## The immediate objectives of the London Summit

### Confront the economic crisis based on several key principles

The primary task of the London Summit on April 2 must be to guide the world economy back to a path of recovery. First, leaders gathered at the summit must get aggregate demand moving again by coordinating national stimulus plans. Some countries have not done as much as they could, while others need help to avoid insolvency.

Further, the G-20 must agree on measures to thaw credit markets and restore confidence in the global financial system. Now is the time to announce meaningful reform of the structure and resources of the IMF to ensure that its national and global economic and financial surveillance functions are fully operational. Meaningful recommendations on re-regulation must also emerge from the summit to ensure that a financial breakdown on the scale of this crisis is not replicated in the future

Second, the G-20 must focus on complementary measures across developed and emerging economies to structurally rebalance the world economy. As outlined in the Center for American Progress's "Transitioning to a New U.S. International Economic Policy: Toward a 'Global Deal' to Revive and Broaden the Benefits of Growth," these include helping developing countries institute labor, investor, environmental, consumer protection, and basic social insurance programs.[3] These policies will help create additional, ongoing growth in domestic demand, while distributing the gains from trade and integration more widely. They would also have the immediate benefit of providing a cushion for their populations in the face of the economic downturn and drop in export earnings. The G-20 should also adopt World Bank President Robert Zoellick's idea to put aside 0.7 percent of all stimulus funds for the developing world.

Third, the G-20 can and must make a low-carbon economy part of the strategy for global economic recovery. As CAP's President and CEO John D. Podesta has outlined, "countries around the world are making more than $2 trillion in new investments in an effort to recover from the current global recession, and it is imperative that this spending moves the entire international community toward a low-carbon future. As part of this effort, the G-20 must also ensure that the energy needs of the poorest countries are addressed."[4]

Finally, the G-20 must allow for a free and frank discussion on trade that leads to a World Trade Organization agreement on the broad parameters of a deal in the now-stalled Doha Round of negotiations, with specifics to be worked out in subsequent months. Despite agreeing to institute a moratorium on protectionism at last year's G-20 meeting, several countries did not heed the stipulation in the communiqué.

Leaders have a renewed opportunity at this summit to show that they are serious about their exhortations concerning the need to avoid a spiral of protectionism during the crisis by reopening the Doha negotiations. Such an agreement could, for example, dramatically reduce the legally allowable level of tariff ceilings while not necessarily cutting existing applied tariffs by a huge amount. These trying times call for every positive, pro-growth signal that leaders can afford to send.

# The need for G-20 leadership

The most obvious reason to institutionalize the Group of 20 nations into a permanent leadership organization is the G-8's clear lack of legitimacy in the eyes of developing and emerging countries because of its unrepresentative composition. The G-8 excludes the world's second and fourth largest economies by PPP, China and India, while Brazil and Mexico have bigger economies than G-8 member Canada. The G-8 also represents only 13 percent of the world's population.

The G-8 acknowledged this problem by recently inviting Brazil, China, India, Mexico, and South Africa—the so-called "outreach five"—to attend part of the G-8 summit process, but this only demonstrated the rising irrelevancy of the G-8's exclusiveness. The exclusion of any majority Islamic countries at G-8 meetings further called into question the group's legitimacy. Meanwhile, the exclusion of major oil producers such as Saudi Arabia, and major consumers such as China, undermines the G-8's ability to deal effectively with important issues such as energy policy.

Inviting Brazil, China, India, Mexico, and South Africa to attend part of the G-8 summit process only demonstrated the rising irrelevancy of the G-8's exclusiveness.

Further, the decision in recent years to expand the remit of the G-8 beyond economics and finance into security issues has undermined its effectiveness. Because their attention is too divided to make real progress, G-8 decisions as articulated in their communiqués have come to resemble a shopping list of items rather than a clear path forward. U.S. Federal Reserve Board chairman Ben Bernanke recently made that point succinctly: "Although the topic [of global imbalances] was a perennial one at international conferences, we collectively did not do enough to reduce those imbalances."[5]

In addition, the G-8's relationship with other multilateral bodies has never been properly defined. So, for example, when the G-8 addresses terrorism and security, it can be seen to undermine the role of the United Nations, where the Security Council has a mandate to address international conflict.

Of course, the composition of the current G-20 is not perfect, but it is much more representative in terms of both economic output and population than the G-8, and it is a fine springboard for the creation of a permanent and properly constituted leadership forum. The current members of the G-20, therefore, are a far superior body to take on the role of global economic governance.


German Chancellor Angela Merkel hosts a meeting of key European leaders on February 22, 2009 to help prepare for the April London Sumit of the G-20 on combating the financial crisis.

What's more, the core focus of the G-20 as originally outlined by its member finance ministers and central bankers is itself a solid platform for what the leadership meetings should concern themselves with. They have agreed to examine, "Enhancing sound regulation and strengthening transparency… reinforcing international cooperation and promoting integrity in financial markets. Reforming the IMF and [enhancing the] World Bank and other multilateral development banks."[6]

In addition to this, the G-20 in London is expected to cover trade, climate change, development, and other global macroeconomic issues. This is an ambitious agenda, but each of these areas falls within the rubric of global economic governance. It is critical that the mandate going forward sticks to these areas and does not expand into issues such as security. Other bodies with a greater claim to expertise and representation such as the United Nations exist explicitly to address such issues.

In contrast, the IMF and World Bank lack proper oversight and have been deadlocked for some years on key issues such as institutional reform. The establishment of the G-20 thus creates a new opportunity for a truly global body to carry out the tasks outlined at the start of this section.

## Making coherent trade-offs on different policy issues

The principal role of the G-20 should be to allow a space for trade-offs between the world's most powerful countries on issues of global economic significance. As Colin Bradford, Johannes Linn, and Paul Martin have outlined, "It is this potential for multiple, overlapping, and shifting alliances, which creates the opportunities for building trust, forcing trade-offs, and forging cross-issue compromises that makes the G20 summit such an exciting opportunity."[7] These trade-offs should not just be *within* the departmental silos of global finance, climate change, or trade, but also *between* these different global objectives.

Possible cases in point: The G-20 could help ensure that different national fiscal stimulus programs are compatible—and indeed embrace—the goal of pushing forward global reductions in carbon emissions; or the G-20 could encourage China and India to adopt more stringent emissions targets in exchange for the removal of agricultural subsidies by the United States and European Union.

## Providing political and financial support for the agreed upon action plan

Once a coherent policy platform is settled upon, the G-20 should ensure that the multilateral financial institutions and other multilateral bodies—such as the World Trade Organization and International Labor Organization—that are tasked with carrying out the policies have the financial means to deliver what is expected of them. The G-20 should also provide political support to relieve roadblocks and institutional inertia.

In order to ensure that both policy coherence and financial and political support are possible, the G-20 should oversee the broad mandate and activities of multilateral bodies focused on economic issues.

CAP Senior Fellow Richard Samans captures well the crying need for such coordination. "One of the greatest institutional weaknesses of global economic integration is the absence of integrated oversight of the various international economic ministerial processes and multilateral organizations," he observes. "To cultivate a culture of systemic oversight and collective responsibility within the group, G-20 leaders should require the IMF, World Bank, ILO, and WTO to prepare a joint report on the performance of the world economy. This report should be signed by the heads of the organizations and presented by them each year as a standing item on the G-20 summit agenda."[8]

These multilateral bodies should also report on progress made against the objectives agreed at previous meetings. But given its exclusive focus on global economic governance, a similar relationship between the G-20 and the United Nations is neither necessary nor desirable.

## Innovation in the domain of global economic and environmental finance

Finally, the G-20 should be encouraged to help establish new institutions or funds to address problems that cannot be solved elsewhere. The G-20 is the right place to design and resource a global fund for the transfer of technology related to combating global warming as well as task relevant institutions to work together as necessary to implement it. This kind of global fund has emerged as one of the biggest hurdles to a post-Kyoto agreement. Developing countries are resistant to accepting differentiated caps on greenhouse gas emissions without support for transition to a low-carbon energy infrastructure.

Because the G-20 effectively represents the major carbon emitters in the developed and developing worlds it could take pressure off the U.N. Framework Council on Climate Change and allow for a more nuanced discussion among critical parties on how technology transfer could be achieved. The G-20 could build on the World Bank's clean technology fund to ensure fairness and equity, key concerns of the developing world, as we move toward a workable global solution to climate change.

# The hornet's nest: composition of the G-20 leadership forum

The U.K. government prefers not to refer to the April meeting as a "G-20" meeting and instead uses the phrase "London Summit 2009."[9] Concern over the very name of the gathering is indicative of lingering issues of legitimacy that need to be directly addressed, not least because there is a degree of controversy surrounding its membership. Going forward, it is imperative that the issue of representation is addressed so that the G-20 does not become another global institution whose composition and mission grow out of step.

In this section, we outline why global representation and economic power should be the key to membership. We also make the case for revisiting and adjusting membership in 2014 and every subsequent five years.

## Regional representation

The current G-20 is much more representative of the global economy than the G-8. The G-20 nations' collective economies account for approximately 80 percent of the world's economic output as opposed to the G-8's 46-percent level.[10] Nonetheless, as Table 1 shows, there are 2.6 billion people out of a world population estimate to be 6.7 billion who would not be represented at the G-20 table given its current composition.

We would be remiss not to address the wider question of representation, given the large number of underrepresented people in Asia and Africa. It is currently an anomaly that the European Union is represented while other regional bodies are excluded. The decision by British Prime Minister Gordon Brown to send invitations for the London Summit to the Association of South East Asian Nations and the African Union Commission—encouraged by the One Campaign—is a welcome step and should continue in the future. The European Union remains a vitally important economic and trading block and should also continue to attend. Nonetheless, to ensure that a meaningful conversation takes place, all three of these organizations should be given observer status rather than the full membership that is afforded to individual countries. Observer status would mean sitting at the table to answer questions rather than having an ability to lead the discussion.

In order to facilitate the implementation of its decisions, the G-20 should continue to invite those multilateral organizations—such as the World Bank or IMF—that are relevant to the issues being discussed. These invitations could be extended to other international institutions if circumstances merited their attendance, such as the WTO, ILO and U.N. Framework Council on Climate Change.

**TABLE 1**

### The unrepresented

Regional populations of countries excluded from current G-20 membership

| Non G-20 members | Population |
|---|---|
| The Americas | 232,636,956 |
| Europe | 325,464,262 |
| Asia and the Pacific | 955,160,104 |
| North Africa and the Middle East | 327,811,534 |
| Sub-Saharan Africa | 716,973,770 |
| **World** | **2,558,046,626** |

Source: Geohive, available at http://www.xist.org/earth/pop_region.aspx.

# The parameters for G-20 membership

We propose that membership in the G-20 be based on purchasing power parity calculations of gross domestic product, which measure relative economic power. Table 2 shows the 30 largest economies using purchasing power parity measures of gross domestic product. Countries in dark blue are current members of the G-20 while countries in light blue are not. Spain, Iran, the Netherlands, and Poland are among the world's 20-largest economies that are not represented in the G-20. Meanwhile Saudi Arabia, Argentina, and South Africa are G-20 members despite being outside the top 20.

We advocate reconstituting the G-20 every five years, starting in 2014.

Given demographic shifts and differing trends in the rate of economic growth, it is likely that over the coming decades other countries may overtake current members. We therefore advocate reconstituting the G-20 every five years, starting in 2014.

A simplistic approach that puts the top 20 economies at the table will entail overrepresentation from Europe and the exclusion of any African countries. A different option for consideration would balance regional representation with economic size. Under this model, the G-20 membership would comprise the top two economies from each region—the Americas, Europe, Asia and the Pacific, North Africa and the Middle East, and Sub-Saharan Africa—and the next 10 largest economies. This would bring the total number of heads of state and government at the table down from 22 at the London Summit to 20. We also recommend excluding any country that is the subject of U.N. sanctions.

Using this formulation and IMF projections for future GDP growth, the reconstituted G-20 of 2014 is set out in Table 3. There is surprisingly little turnover with Argentina, the Netherlands and Czech Republic—as EU President—making way for Nigeria. As outlined earlier, the European Commission, African Union Commission, and ASEAN would be granted observer status as well.

**TABLE 2**

## Thirty largest country economies inside and outside the G-20

Ranked according to gross domestic product, 2008, using purchasing power parities

Dark blue = Not G-20 members    Light blue = Current G-20 members

| Rank | Country | GDP PPP 2008 ($bn) |
|---|---|---|
| 1 | United States | 14,334 |
| 2 | China | 7,890 |
| 3 | Japan | 4,405 |
| 4 | India | 3,305 |
| 5 | Germany | 2,920 |
| 6 | Russia | 2,285 |
| 7 | United Kingdom | 2,231 |
| 8 | France | 2,125 |
| 9 | Brazil | 1,976 |
| 10 | Italy | 1,821 |
| 11 | Mexico | 1,550 |
| 12 | Spain | 1,400 |
| 13 | Canada | 1,307 |
| 14 | South Korea | 1,279 |
| 15 | Turkey | 937 |
| 16 | Indonesia | 909 |
| 17 | Iran | 817 |
| 18 | Australia | 799 |
| 19 | Netherlands | 675 |
| 20 | Poland | 669 |
| 21 | Saudi Arabia | 601 |
| 22 | Argentina | 571 |
| 23 | Thailand | 556 |
| 24 | South Africa | 496 |
| 25 | Pakistan | 444 |
| 26 | Egypt | 443 |
| 27 | Colombia | 402 |
| 28 | Belgium | 390 |
| 29 | Malaysia | 388 |
| 30 | Venezuela | 363 |

Source: IMF

**TABLE 3**

## The new G-20 members

The reconstituted G-20 in 2014 under our proposed membership guidelines

| Region | Largest economies |
|---|---|
| The Americas (2) | USA, Brazil |
| Europe (2) | Germany, Russia |
| Asia and the Pacific (2) | China, Japan |
| North Africa and the Middle East (2) | Saudi Arabia, Turkey |
| Sub-Saharan Africa (2) | South Africa, Nigeria |
| Rest of World (10) | India, UK, France, Italy, Mexico, Spain, South Korea, Canada, Indonesia, Australia |

Source of data for the ranking: IMF.

# The efficacy of a G-20 leadership forum

The G-20 should not be tasked with implementing policy but rather with providing policy coherence and brokering political deals. It is therefore important to ensure that information flows well between the G-20, national governments and international institutions. The best methods of coordination and communication will depend on the issues being debated and which multilateral organizations are at the table, but we believe that it's important to lay out three stages—preparation, the G-20 summit itself, and implementation of decisions—that should be followed in all G-20 processes.

## Preparation

A lean, efficient G-20 secretariat should be established in order to backstop the activities of the G-20 leadership and to monitor, evaluate, and benchmark the progress made in implementing its decisions. Both functions would entail working closely with the relevant multilateral organizations to gather, synthesize and then disseminate information among the members.

We propose that the secretariat should be located in a single country. To herald the growing influence of emerging economies, this organization should be based in one of the non-G-8 countries such as Turkey or India. This secretariat should be small in number and therefore inexpensive to fund. We oppose the idea of a rotating G-20 presidency and thus rotating summit locations. While individual countries should take turns chairing the meetings, the venue should be fixed.

Based on the results of ministerial meetings, the secretariat—in consultation with the member countries and multilateral organizations—will arrange the agenda and preparatory materials. Giving more control to the secretariat, and keeping meetings in one place, will avoid grandstanding by host countries. The focus of G-20 meetings should be entirely on the agenda and outcomes, instead of the host city, menu, and photo opportunities.

Ahead of any G-20 gathering, relevant ministers of finance, foreign, trade, health, and environment should meet to discuss the key items on the agenda. This is currently the practice among G-8 members. Depending on the subjects discussed, ministerial meetings should include officials from relevant multilateral organizations such as the IMF, World Bank, or WTO. Smaller groupings of countries within the G-20, such as the G-8, may choose to meet in the run up to the leaders meetings.

The G-20 secretariat should also convene meetings with civil society groups and private sector organizations in advance of each G-20 meeting. A summary of the points made should be circulated to the G-20 leaders in advance. As the 2008 American election campaign showed, modern communication techniques can be used to create a public debate and capture a variety of viewpoints. The secretariat should use these techniques to garner world public opinion by welcoming comments and suggestions.

## The G-20 summit

G-20 summits should take place twice a year. The ideal time for such meetings would be at the start of the northern and southern hemisphere political calendars in February-March and again alongside the U. N. General Assembly in New York in September. Other global processes and meetings on relevant issues should be timed to follow the G-20 meeting so that political direction can be forged when global leaders are together. This would help set the agenda for the months ahead and lock in political accountability at every meeting since one set of countries would always be half way through their administrative year.

When the meeting is taking place, only national leaders and the heads of the representative and multilateral organizations should sit at the table. In practice this will be around 25 people. Supporting ministers and officials should sit behind the leaders. The meeting itself would ideally last for a day and a half, and it would be closed to the press. Leaders would arrive for an afternoon session and dinner and then work through the following day.

We oppose the issuing of any public communiqué since the G-8 experience tells us that inordinate amounts of time are spent negotiating the language rather than making progress on the issues themselves. Instead, we advocate that the secretariat swiftly publish the minutes of the meetings. This practice is currently familiar to many central banks including the Federal Reserve, which publishes its minutes within four weeks of their meetings. These G-20 minutes would be released much more quickly and include a summary of the discussion, an action plan setting out responsibilities, and relevant time lines. This would not be drafted in advance by sherpas—heads of states' personal representatives—and would be a genuine reflection of what the meeting had discussed.

## Implementation

Once decisions are taken, communication and coordination become even more vital and need to occur through several different channels. With the full blessing of their leaders, G-20 sherpas should return to their home governments to debrief relevant staff and enforce agreed-upon action points. Heads of regional intergovernmental organizations will return to debrief their national membership, while heads of multilateral organizations will return to their offices with an action plan of goals to be carried out before the next meeting.

The secretariat would then have a clear mission and mandate over the coming months to ensure that those assigned tasks are being carried out within the specified time horizon. Modern communication techniques can again be used to ensure that there is full transparency in relation to the agreed action points and timelines. This will ensure public accountability of G-20 decisions. The secretariat should also ensure that mission creep is not occurring and that all members are kept informed of progress.

# Conclusion and recommendations

The creation of a permanent, yet evolving G-20 leadership forum and secretariat would be a positive step for global economic governance. This body would undoubtedly be a more representative forum than the G-8 and therefore retain greater legitimacy; nevertheless, there would still be work to be done to ensure that the G-20 does not make the same mistakes as previous global governance bodies and fall foul of mission creep or irrelevance. We therefore make the following specific recommendations:

## Mission

In 2009, the G-20 should exclusively look at restoring confidence to global markets, ensuring that consumer demand and credit markets move again. The economic and financial crises the world faces demand full attention. But in 2010, the G-20 should start creating crucial mechanisms to become a permanent body for global economic governance with a mandate to broker global political deals, provide direction for multilateral organizations, and ensure that they are properly mandated and financed.

## Composition

Composition should be revisited every five years, starting in 2014, to ensure that changes over time in the global hierarchy of economic power are reflected at the table. In addition, countries facing U.N. sanctions should not be admitted. We believe future membership should be comprised of two countries from each of the world's five regions and the subsequent 10 largest economies in the world.

Regional intergovernmental groups should become a permanent feature at future meetings alongside multilateral organizations that are relevant to the issue being discussed. These groups should attend with observer status.

## Practical issues

A secretariat should be based in a G-20 country that is outside the G-8—we recommend Turkey or India. This secretariat should be fully funded and empowered to prepare for the G-20 meetings, help set the agenda, and enforce agreed action points. This will include meetings of relevant national ministers, civil society groups, and private sector organizations.

G-20 meetings should be held twice a year. The spring meeting should be in the same city as the secretariat; the fall meeting should be in New York alongside the U.N. General Assembly. Countries should take it in turn to chair meetings, which will be closed to the press. Ministers and officials should sit behind the leaders, not at the table.

The secretariat should publish minutes including a summary of the discussion and an action plan, instead of issuing a communiqué. The secretariat should then ensure that multilateral organizations carry out the tasks assigned to them and report back on progress in time for the next meeting.

## The promise of G-20 leadership

President Obama holds the key to the creation of this new G-20 leadership role. His clear political mandate at home and his powerful political pull abroad give him the clout to call for the G-20 nations to regroup on a regular basis in the coming years, so that the decisions he and his counterparts from around the globe decide upon in London are implemented swiftly and effectively. Now is an opportune moment to set the G-20 on a path for continuing relevance and success.

# Endnotes


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5 Ben S. Bernanke, "Financial Reform to Address Systemic Risk," Remarks to the Council on Foreign Relations," 2009, available at http://www.federalreserve.gov/newsevents/speech/bernanke20090310a.htm.

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8 Richard Samans, "Transitioning to a New U.S. International Economic Policy: Toward a 'Global Deal' to Revive and Broaden the Benefits of Growth" (Washington: Center for American Progress, 2008) p.30.

9 See for example http://www.londonsummit.gov.uk/en/.

10 International Monetary Fund, World Economic Outlook Database. This excludes the European Union.

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