



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

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French President Nicholas Sarkozy called for a global summit to stem the financial contagion and reassess the world's outdated financial architecture.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

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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.

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.

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