

# Chapter 7

## Furture Role and Reform of the G8

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### Introduction

There is widespread and growing recognition of structural, procedural and other shortcomings of the present G8, and the need to reform or replace it. This sentiment has been expressed by the news media, academia and civil society, and, increasingly and significantly, by several present and former leaders and other high officials of G8 countries. They have called for transformation into a different institution so that all significant players could play their full role in addressing global challenges. These voices include, among others, those of former Canadian Prime Minister Paul Martin, French Prime Minister Nicolas Sarkozy, UK Prime Minister Gordon Brown, and even former German Chancellor Helmut Schmidt who was one of the founding fathers of the original G5/G7 – predecessor of the G8 (Martin 2007; Schmidt 2007; France 2008; Parker 2009).

Despite its proven flexibility and significant achievements over its 35-year history, the G8 remains rooted in an earlier era, and it has not adequately responded to changing political and economic realities over its lifespan. The most pressing issue has been the emergence of crucial new actors outside the G8 framework and their significance in global governance. Without the full participation of major emerging-economy countries that are systemically important players, satisfactory initiatives and action in response to global problems cannot be taken. And even wider participation is necessary to address global challenges of climate change, poverty, health and financial architecture.

Over the years there has been a plethora of reform proposals, ranging from abolishing the G8 altogether to expanding or reducing its membership, rationalizing its agenda and processes, increasing its legitimacy and representativeness, replacing it with a new body, or supplementing it with additional bodies or a permanent secretariat. Leaders of the G7 – the predecessor of the G8 – had expressed their wish to stage smaller, more intimate and more focused summit meetings, with fewer officials in attendance and fewer media corre-

spondents around. Others, too, have proposed various courses of action, ranging from abolition to institutional strengthening of the G7 (Hajnal 2007a; Hajnal 2007b; Kirton 2008).

Many of these proposals have merit, and some have had high-level advocates, notably former Canadian Prime Minister Paul Martin who has pressed for the establishment of the “L20” or leaders’ 20, perhaps with the same initial membership as the existing G20 finance ministers’ forum. Complete integration of China, India, Brazil, Mexico and South Africa (the present “G5”) with the G8 to form a G13 is another proposal that has gained currently. However, for such far-reaching reform of the G8 to become reality, it must be not only promoted by the advocates of change, but agreed upon and endorsed by consensus of the leaders of the present G8. This remains true with the emergence in November 2008 of the G20 leaders’ forum alongside with the continuing finance ministers’ G20. The G20 leaders have since met a second time on 2 April 2009 and are due to have their third summit in Pittsburgh on 24–25 September 2009 – but the G20 summit has not yet become a permanent forum.

This chapter focuses on the period beginning with 1998, referring only briefly to early reform initiatives. It examines and comments on reform proposals as well as reforms actually achieved or underway. It pays particular attention to the reform dimension of the evolving G5, Heiligendamm Process (HP), BRIC (Brazil, Russia, India, China), Major Economies Forum and G20 groupings, and to the G8’s relationship to these structures, as well as to the EU – G8 relationship. The chapter concludes with outlining possible trajectories of the G8 reform.

### **The 1998 Birmingham Reforms and their Aftermath**

The 1998 Birmingham summit undertook major reform, producing several innovations in participation, format and agenda. Birmingham officially integrated Russia into the club, turning it into the G8. It was a leaders-only summit, with foreign and finance ministers meeting separately in London a week before the summit, on 8–9 May, to prepare for the summit and to deal with issues not on the summit agenda. This made it possible to achieve greater informality than had been the case at previous summits, enabling the leaders to spend considerable time together and to focus personally on topics they wished to discuss. As well, it had a more focused agenda than previous summits. The more limited agenda also reduced the volume of documentation, although this effect proved to be rather inconsistent after Birmingham (Bayne 2005).

This internal reform has taken hold as established practice, but this did not satisfy critics. Shortly after the Birmingham summit, noted economist Jeffrey Sachs proposed transforming the G8 into a G16, comprising the present G8 plus eight developing countries. For this expanded club, Sachs placed democratic governance as the major criterion of membership, arguing that the core developing country candidates should be Brazil, India, South Korea and South Africa, to be joined “soon [by] a democratic Nigeria”. In his view, a “development agenda” should guide this new body, including: global financial markets and international financial reform; conditionality and foreign aid; reform of the international assistance programme; and ending the debt crisis (Sachs 1998). Once Birmingham opened the door to summit reform, post-summit assessments and proposals have proliferated.

In a July 2001 leader, written just after the tumultuous Genoa summit, the *Financial Times* questioned whether “G8 summits should exist and, if so, in what form”, and noted: “summits have worked best when the leaders have had a chance to be separate from their national entourages... and when there has been a crisis to try to sort out”. The piece concluded that there “should have been ... a commitment to hold the next G8 only when there is a burning topic to discuss” (For Slimmer... 2001). The terrorist attacks of 11 September 2001, mere months later, thrust such a topic onto the international consciousness, placing security at the top of the agenda. In the post-9/11 context, security for the leaders became paramount for summit host countries. Therefore, most G8 summits since Kananaskis in 2002 have met at remote places. This has had the advantage of easier security for the G8 leaders but also the disadvantage of the leaders meeting far from the media, the public, and civil society. At Gleneagles in 2005, accredited media personnel were again located near, but still isolated from, the venue of the leaders’ meetings. Furthermore, the remote locale did not prevent protesters, or rock stars (notably the Live8 phenomenon) and the Make Poverty History march, from making their presence felt.

The think tank Shadow G8 (formerly called *G8 Preparatory Conference*) of distinguished individuals with high-level previous summit experience, led by C. Fred Bergsten of the Peterson Institute of International Economics, was launched in 2000 on the premise that “recent G8 summits have not fulfilled their potential. [Its members] believe that summits should reform their methodology and adopt agendas that effectively address the sweeping changes in global economic and security affairs that characterize the early years of the new century” (Bergsten, Montbrial 2003). Given that G8 leaders have had a hard time reforming themselves (although the Birmingham reforms were worth-

while), the question can be asked: why not start a new group in which the heads of systemically important countries could meet and get to know one another? (Hajnal 2004). The Shadow G8 functioned until 2006; in 2007 a different “Shadow G8” appeared under the leadership of the Nobel-laureate economist Joseph E. Stiglitz.

### The L20 Initiative

One of the most interesting reform ideas to expand the leaders’ forum was the proposal to turn the G20 finance ministers’ forum into a leaders’ level group of 20, or L20. In a paper predating this initiative but similar in its thrust, Shadow G8 member Wendy Dobson noted that the challenges to leaders had changed since the Cold War days when the G7 was first established, and asserted that a “G3 or G7 ‘directorate’ [was] no longer acceptable... [What was required was] a consensus among a wider group”. She envisioned two scenarios to build on the precedent of the G20 finance ministers’ forum: convening functional groups of ministers from G20 countries on systemic problems such as climate change, North-South issues, trade and poverty alleviation; and expanding leaders’ meetings to include all the leaders of the G20 countries. In the interest of efficient management, this leaders’ body would require a steering committee with revolving membership. In Dobson’s view, this new body would not replace the G8 but would meet periodically before or after G8 summits (Dobson 2001).

The L20 idea was taken up enthusiastically by former Canadian Prime Minister Paul Martin who, in his previous post as finance minister, had been the first chairman of the finance ministers’ G20. In a 2005 issue of *Foreign Affairs*, he made the case for an expanded leaders’ level forum and introduced the term “L20”. He reviewed and analyzed the circumstances of the emergence and functioning of the finance ministers’ G20; discussed the need for a similar forum for political leaders; and outlined the L20’s possible composition, initial agenda, potential role, and relations with existing multilateral organizations (Martin 2005). Choosing this influential journal to showcase the idea reflected Martin’s recognition that summit reform was not possible without the support of the United States.

Building on this framework, the think tanks Centre for International Governance Innovation (CIGI) and the Centre for Global Studies (CFGs) (both with headquarters in Canada, respectively in Waterloo and at the University of Victoria), have been examining the ramifications of this potential transformation of the finance ministers’ G20 into the L20. They sought to answer

a number of questions: What are the issues? What would be the appropriate design for a successful L20 acceptable to the leaders? And what was the best route to attaining consensus to establish the L20 summit process? Such a new L20, if successful, would be more broadly representative than the G8, bringing to the table systemically important developing countries (notably China, India and Brazil) and countries with emerging economies. It would set and focus on priorities at the highest level, transcending national bureaucracies, and would be an institution enjoying legitimacy in promoting fiscal, social and environmentally responsible policies; it would also address the efficiency gap, and would be a catalyst for and guide to broader reforms of global governance. One of the aims of the CIGI/CFGs project was to broaden the understanding of the initiative among the G8 and prospective L20 member countries by including academics and practitioners from each nation. *Reforming from the Top: A Leaders' 20 Summit* is a comprehensive study of the proposal and its contents and context, including an examination of receptivity to this idea by the South, and a discussion of the modalities of achieving the L20: having an L20 replace the G7/G8 through a "giant leap"; incrementally increasing the membership of the G8 through a G9 and G10 to an eventual L20; and creating an L20 that would operate alongside a continuing G8 (English, Thakur 2005). Another work, by Peter Heap of CFGS, *Globalization and Summit Reform: An Experiment in International Governance*, provides an accessible recent account of these proposals (Heap 2008).

### **Other Reform Proposals**

Another interesting initiative is introduced and explained by Peter B. Kenen, Jeffrey Shafer, Nigel Wicks and Charles Wyplosz, who trace the evolution of international economic and financial co-operation and conclude that its machinery is becoming obsolete, notwithstanding the G7's record of negotiating joint positions and exerting its influence in the Bretton Woods institutions. They recommend the creation of new structures: making room for new players (for example, by streamlining European representation in the G7 and in the IMF Executive Board); establishing a new G4 that would bring together the US, the euro zone, Japan and China to deal with exchange rate problems and adjustments; convening an Independent Wise Persons Review Group to examine existing institutions and groups including the G7; and establishing a new Council for International Financial and Economic Cooperation, with membership of no more than 15, to set the agenda and provide strategic direction for the international financial system and to oversee multilateral institutions

of international economic co-operation. This council would include the systematically important countries, represented on the finance ministers' level. The heads of the UN, IMF, World Bank and WTO would be invited to the council's meetings (Kenen et al. 2004). Commenting on this book, *The Economist* agreed that the G7 was no longer what it had been and has become only one of an "alphanumeric panoply of bodies" attempting to co-ordinate economic policies. *The Economist* noted with approval the book's proposal to give China its rightful place in the structure of macroeconomic diplomacy, stating that without China, "the G7 cannot hope to achieve much" (*The Economist* 2004).

In a somewhat similar vein, Stephen Roach of Morgan Stanley in 2005 recommended a new architecture for economic policy co-ordination, remarking that the global economy was in need of major steps for rebalancing. One of these steps would be to replace the G7 with a new G5 consisting of the US, the euro zone, Japan, the UK and China. Roach argues that the G7 is a creature of a different era and he finds it particularly odd that it excludes China while giving the EU euro-zone three votes (Germany, France and Italy). His G5 would be a full-fledged organization based on a charter embracing in its mandate all aspects of global economic imbalances. It would have a permanent staff, and it would hold semi-annual meetings based on consultations of the finance ministries and central banks of the member states with the G5's staff of experts. The staff would produce semi-annual reports to serve as agenda for the formal meetings (Roach 2004). Like the proposal by Kenen and his colleagues, Roach's ideas do not account for the non-economic agenda of the present G8 – the environment, security, global health, and other transnational issues.

In a 2005 paper, Colin I. Bradford argues that the existing "institutional framework for dealing with contemporary global challenges does not match the scope, scale and nature of the challenges themselves". One aspect of this mismatch is the G8 and the broader G8 system as it is now constituted. Given considerable reluctance to instituting major reform and expansion of the G8 into a true L20, Bradford suggests adding a few regular core members (China, India, Brazil and South Africa **being the leading candidates**) to the G8 – turning it into a G12 – and allocating six additional places to other countries that would participate on a rotating basis, depending on particular issues on the agenda. This formula would enhance both the representativeness and the legitimacy of the summit mechanism and would provide top-level strategic leadership to the whole international system (Bradford 2005).

Edwin Truman of the Peterson Institute for International Economics suggested disbanding the G7/G8 and moving many of the latter's policy co-ordination functions to the G20. He argued that this strengthening of the G20 would be a major step in rationalizing the institutions of international economic cooperation. In addition to representation at the level of leaders, ministers of finance and central bank governors, he called for *ad hoc* working groups. He saw the United States and the euro area as leaders of this strengthened G20. At the same time, he also envisioned policy co-ordination of the US and the euro area as an "informal G2" (Truman 2004). This "finance G2" concept is explored by Shadow G-8 chair C. Fred Bergsten, who argues that "Euroland" and the US need a new G2 mechanism not only to monitor and consult on the evolution of the dollar-euro exchange rate but, more ambitiously, also to develop a new G2 monetary regime. This G2 would not be a substitute for the G7 and would function informally and without even public announcement of its existence and activities (Bergsten 2004; Bergsten, Koch-Weser 2004).

Canadian academic and former senior diplomat George Haynal makes the case for a "G-XX" – a more comprehensive and representative summit process, where "XX" does not necessarily stand for "twenty" but implies that the number of members of such a new group is an open question. He argues that such a more inclusive summit "would express the changing nature and balance of power and assist our shared institutions to function better by providing them with the appropriate political direction". Haynal outlines the weaknesses of the existing international system of institutions: the UN Security Council, General Assembly, specialized agencies including the Bretton Woods institutions; and the WTO. He suggests that the new global issues, as well as linkages among international institutions now missing could be addressed by a "G-XX". He identifies the core membership of the G-XX: the existing G8; China, India, South Africa, Brazil and possibly Mexico; and representation from Africa, the Middle East, Southeast Asia, the Americas and the former Soviet bloc. He envisions the G-XX as functioning alongside the G8, not replacing it. Differing from the L20 initiative, he considers that transforming the G20 finance ministers' forum into a leaders' level summit would overburden the G20; nonetheless, he would proceed from the existing composition of the G20. Finally, he recommends starting with a "one-off" process of the leaders, meeting perhaps on the margins of the General Assembly, and focusing on global security as the initial agenda (Haynal 2005).

Media comments around the time of the 2005 Gleneagles summit reflected increasing frustration with the current membership of the G8. In a com-

ment piece in the *Financial Times* just before the summit, Richard Haas called the G8 “increasingly an anachronism” and added: “No one today would propose an annual meeting that includes Canada (population of 31 m[illion], gross domestic product of \$870 b[illion]n..., Italy (58 m and \$1,200 bn) and Russia (144 m and \$615 bn) but not China (1.3 m and \$1,650 bn) and India (1.1 m and \$650 bn)”. He argued: “The G8 needs to become the G10. Both China and India deserve a seat... It would be a concession to reality that would benefit everyone” (Haas 2005).

The concept of expanding the G8 was raised again in early 2006 by Anders Åslund of the Peterson Institute of International Economics, with the proposal that China, India, Brazil and South Africa be invited as full members, thus transforming the G8 into a more representative G12 (Åslund 2006). More significantly, because it concerns the view of a key G8 leader, it was reported just two days before the St. Petersburg summit that then British Prime Minister Tony Blair had planned to call for making China, India, Brazil, South Africa and Mexico full-fledged members, turning the G8 into the G13. This would build on the “G8 + 5” formula established at Gleneagles. Focusing on a successor to the Kyoto Protocol, Blair stated: “There is no way we can deal with climate change unless we get an agreement that binds in the US, China and India. We have got to get an agreement with a binding framework – of that I am in no doubt at all”. The fact that Brazil and India are principal players in trade negotiations also speaks to the need to make the “G8 + 5” arrangement more formal (Elliott, Wintour 2006).

Following the election of Barack Obama – a fellow Democrat – as President of the United States, Zbigniew Brzezinski suggested the creation of two informal groupings: an expanded G8 alongside with a G2 of the US and China, the latter being the most relevant mechanism to deal best with world issues.

“We certainly need to collaborate closely in expanding the current Group of Eight (...) to a G14 or G16, in order to widen the global circle of decision-makers and to develop a more inclusive response to the economic crisis.

But to promote all that we need an informal G2. The relationship between the US and China has to be a comprehensive partnership, paralleling our relations with Europe and Japan. Our top leaders should therefore meet informally on a regular schedule for personal in-depth discussions not just about our bilateral relations but about the world in general” (Brzezinski 2009).



The host of the 2 April 2009 G20 London summit, UK Prime Minister Gordon Brown, “has been a leading advocate of the G20 format, arguing that the old G8 club of rich, industrial countries was no longer acceptable for directing world affairs” (Parker 2009). Thus, he has added his voice to those of several of his fellow G8 leaders in calling for a more representative forum of global governance. Even earlier, shortly after the first G20 summit of 14–15 November 2008, *The Guardian* opined that the G20 “summit effectively sounded the death knell for the exclusive club of rich nations represented by the G8” (Elliott 2008). And in a more recent article Paul Martin went so far as to say: “The [London] G20 summit... confirms that the G8’s days as the world’s steering committee have drawn to a close. Yet the world cannot afford a vacuum. Only a successful G20 will fill the void” (Martin 2009).

It is interesting to recall that as the L20 project evolved, agenda that might be appropriate for the new leaders’ forum was carefully considered. The various potential topics foreseen by the L20 think tanks, as well as in other proposals for a G20, included global health and global security, among other issues. In the event, what sparked the convening of the first G20 summit was the financial crisis that erupted in 2008. As of the London G20 summit, there were already signs of agenda expansion in view of trade, development and other linkages to the core financial and economic issues.

To cite one final example of recent reform proposals, in October 2008 the UN General Assembly established a Commission of Experts on Reforms of the International Monetary and Financial System headed by Joseph Stiglitz and comprising 18 senior international economists, former and current government ministers as well as central bank officials from Japan, Africa, Western Europe, Latin America and Asia. The Commission’s mandate was to study the reform of international financial institutions and to create a coordinated approach to global financial structures which were seen as needing a drastic overhaul. The Commission’s report was issued at the end of March 2009; its recommendations include, among others, the creation of a new, elected Global Economic Coordination Council which would be a part of the UN, would meet annually at the head-of-state level and would be a “democratically representative alternative to the G20.” The proposed Council would be independent of the Security Council and would have 20 to 25 members (UN News Service 2009; Harvey 2009). Following this initiative, the UN General Assembly convened a Conference on the World Financial and Economic Crisis and its Impact on Development in New York on 24–26 June 2009 which produced a set of proposals accepted by consensus and

submitted to the full General Assembly for adoption (United Nations General Assembly 2009).

### **Russia's Position**

Interestingly, and in contrast with the broad range of proposals and deliberations on the reform of the G8 mechanism originating in Europe and North America, not much is found on the Russian side. The G8's newest member has a variety of approaches to what the G8 is, what its role should be and – the major part of deliberations – the place and role of Russia within it. At the same time, Russian academic, government and civil society circles do not seem to pay as much attention to the reform of the G8 mechanism as it is at present. It is widely perceived that the UN structure is and should remain the principal actor in the field, with other mechanisms – the G8 included – taking a secondary and supportive role vis-à-vis the leading organization.

Moreover, with the ups and downs in the relationship between Russia and the West, it has become more relevant for Russia not to pay primary attention to G8 solidarity and ways to keep and strengthen it, but rather to concentrate on the bilateral approach and pay more attention to its common interests with the so called “Outreach countries”, primarily within the BRIC grouping. This is clear from intensified co-operation within this format, be it on the sidelines of the G20 summit or independently (meetings of the BRIC foreign ministers in Yekaterinburg in 2008, the finance ministers in Horsham (UK) in March 2009 prior to the London G20 summit and again in New Delhi on 3 June 2009, and the first time at the leaders' level in Yekaterinburg on 16 June 2009). It was also a joint Russian-Chinese initiative to start discussions on the possibility of introducing the new, more reliable global currency (the SDR) to guarantee the world against the periodic rise and fall of the US dollar.

### **The G8 and the Heiligendamm Process**

The five major developing countries (Brazil, China, India, Mexico and South Africa) have been invited to attend specific parts of summit meetings in recent years and were first known as the (G8) “+5” at Gleneagles in 2005. In the run-up to the Heiligendamm summit in 2007, the German hosts preferred to change the designation to “Outreach 5”. The five countries formed their own “G5” around the time of the 2008 Hokkaido summit. The Japanese and German hosts, respectively, of the Hokkaido and Heiligendamm summits have accepted the “G5” designation.

Chancellor Angela Merkel, in preparation for the German-hosted G8 in Heiligendamm, announced at the World Economic Forum in Davos in January 2007 the wish to deepen the integration of the “O5” (which has since become “G5”) into the summit process. That summit created the so-called Heiligendamm Process (HP) which, however, coexists with the continuing G5.

Both formats (G8 + G5 and G20) are likely to remain, at least for the time being. But the HP example and experience are definitely helpful in the further evolution of ideas for the structure of global governance.

How does the HP work? Recognizing the need to involve the most important developing countries in the decision-making process (or an attempt to thus get the G5 countries’ consent to the line elaborated by the “geriatric” developed nations), Angela Merkel suggested a new structured, topic-driven dialogue with Brazil, China, India, Mexico and South Africa. The decision on the HP was fixed in the G8 declaration on “Growth and Responsibility in the World Economy”, and further on with certain modifications – due to discontent of the “O5” countries with the non-consultative manner of the previous documents – in the “Joint Statement by the German G8 Presidency and... Brazil, China, India, Mexico and South Africa”. HP rests on four main pillars: promoting and protecting innovation; enhancing freedom of investments by means of a transparent investment regime, including encouragement of socially responsible behavior of business; energy, especially through increasing energy efficiency and fostering technological co-operation in order to reduce CO<sub>2</sub> emissions; and better co-operation and co-ordination in the field of sustainable development, particularly in Africa. The HP’s primary duration is two years, with an interim report that was submitted to the 2008 Hokkaido summit and the final results achieved to be reported at the G8 Summit in L’Aquila, Italy in 2009. The Germans as initiators of the Dialogue decided to allocate 5.5 million euros to the project (Cooper, Antkiewicz 2008).

The G5 emerging economies are against discussions within HP of the postulate of “equal conditions”, since there is no consensus on this matter among the participants. Their view is that apart from protection of investors’ interests it is vital that interests of the countries that are recipients of those investments should be taken into account. Another problem raised by the G5 is that developing countries themselves often run into limitations on investments in the western markets.

G5 countries also took great interest in corporate social responsibility issues, pointing out that discussion should be based on United Nations initiatives; for example, the *Global Compact Governance Framework* of Septem-

ber 2005; *The Ten Principles of the Global Compact* of June 2004; and *The UN Norms on the Responsibilities of Transnational Corporations with Regard to Human Rights* of August 2003, rather than the *OECD Guidelines for Multinational Enterprises*. It is to the latter that the G8 turns for the elaboration of those principles.

Moreover, G5 countries believe that market mechanisms do not constitute the sole panacea for the development of innovation processes, and that positions outlined in the G8 Heiligendamm final documents on intellectual property rights (IPR) are inherently opposed to their interests. They also hold the view that attention has to be shifted to the issues of strengthening institutional capacities, undertaking explanatory work and preparing qualified personnel in this field. As well, discussions on IPR protection should be balanced by commitments by the developed countries to transfer technologies and services to the developing countries at reasonable prices.

On energy security, G5 countries believe that this should also be included in the discussion, putting forward a Chinese initiative formulated on the sidelines of the St. Petersburg G8 summit. The energy efficiency issue thus could be complemented with the use of alternative and renewable sources of energy, such as wind, solar, geothermal, tidal, hydro-energy, PHV and bio-fuel.

This G5 suggestion is supported by Russia, which in turn put forward the idea that energy security issues be discussed based on the provisions outlined in the G8 St. Petersburg declaration on *Global Energy Security*. As a result the revised Concept Paper of January 2008 regarding HP states that “the dialogue partners will include in their discussions relevant aspects of energy security as contained in the Summit Declaration of St. Petersburg as well as proposed by the G5, focusing *inter alia* on enhancing mutually beneficial cooperation on energy development and utilization as well as capacity building for using demand side management energy systems”. Support for the relevant working group is provided by the IEA, focusing on sustainable buildings network, enhancing energy efficiency in the field of power generation, alternative sources of energy and renewable energy.

Silvio Berlusconi of Italy, the host of the 2009 L’Aquila G8 summit, has agreed to the idea of US President Barack Obama to hold within the G8 framework one of the nascent series of the Major Economies Meeting on Energy and Climate. This meeting is to have a wider scope than the G8 + G5, with Australia, Egypt, Indonesia and South Korea also present. The Major Economies Meeting series began in September 2007, convened three times in 2008 (the third time, on the last day of the Hokkaido Summit, at the leaders’ level),

and three times so far in 2009, with a third meeting held in Mexico late June and a fourth (at the leaders' level) scheduled at the time of the L'Aquila G8 summit in Italy. The newly adopted name of this gathering is Major Economies Forum.

The nucleus of the pillar of sustainable development (particularly in Africa) is reaching the Millennium Development Goals (MDGs), with the major focus on increased efficiency of aid to Africa in order to advance its sustainable development and to eradicate poverty. The G8 and G5 countries (apart from Brazil, but this is subject to change), adhering to "The Paris Declaration on Aid Effectiveness" adopted in March 2005, also reiterated the commitments undertaken. The remaining G5 partners committed to fulfilling MDGs believe that it is vital to expand the list of topics for discussion, including questions of creating new sources of financing development, debt write-offs, and undertaking a course of unified policy on trade, investments and the appropriate financial system.

### **The EU – G8 Relationship**

The European Union's relationship with the G8 has had a complicated history that goes back before the G7 itself was formed in 1975. During the years 1973–1975 when the G5 (France, Germany, Japan, the UK and the US) finance ministers held a series of secret meetings, the then European Community (EC) expressed its discontent at being excluded from the discussions as a single body, rather than being represented separately by only three of its member states. Italy's last-minute admission as member of the G6 club of leaders, starting with the 1975 Rambouillet summit (it only became G7 in 1976, when Canada joined) was a partial solution to this problem.

A fuller remedy was obtained with the official participation of the EC, beginning with the 1977 London G7 summit. At every summit since then, the EC (later European Union, EU) was present at the leaders' table. The EU has had an unusual position in the G7 and G8; it is a member but not a member state. Thus, the EU cannot host a summit, and therefore cannot shape the summit agenda that the country leaders have as annual G8 presidents. In all other respects the EU has been a full member of the club; it has its own sherpa and takes part in the preparation and conduct of the summits, participating in all discussions including political topics. It also participates in the meetings of ministerial fora and other subsidiary G7 and G8 bodies (but it was absent from the meetings of G7 finance ministers before 3 October 1998). The EU is particularly active on issues where its members act collectively. The EU is always

represented at G8 summits by the Commission President; in years when the European Council is chaired by a country that is not a G8 member, the President of the Council is also present.

The EU has been a full member of the G20 from the inception of the latter. This applies both to the G20 finance ministers' forum and now to the G20 leaders' summits.

Many G8 reform proposals involve the EU; particularly those proposals that call for a single representation for the EU as a whole, or for the euro zone. Such proposals are discussed above, particularly in the section "Other Reform Proposals".

### **Where Do We Go from Here?**

The present state of affairs makes it clear that the world faces several choices of possible development of the global governance system. The reform proposals reviewed and analyzed in this chapter allow several alternative scenarios to be sketched.

*Expansion of the G8.* The many proposals along this line include, among others, Sachs's 1998 G16 formula incorporating the G8 plus eight developing countries with democratic governance. Brzezinski's 2009 idea also calls for an expanded G8 which, however, would coexist with a G2 of the US and China as most relevant to geopolitical realities. Many others would wish to see the G8 absorb the G5 as full members. At the 2009 L'Aquila summit in Italy, host leader Berlusconi also invited Egypt as a participant in the G8 + G5 part of the discussions, and even characterized the result as the G14. It is not at all certain whether this formula has a chance to persist or whether G5 members appreciate this addition.

*Survival of the G8 + G5 formula.* The G5 countries remain rather dubious of their relationship with the G8. It is an open question whether the G5 would push for joining the G8 (and whether the G8, on its part, would invite them to be full members). The G5 may rather choose to engage with the G8 as a collective entity. Quite possibly, the G5 countries prefer, and feel more comfortable in, the G20 – a grouping that is not only more representative of geopolitical and economic realities than the G8, but is also a forum that has accommodated diverse systems of government as members. The G5 faces a dilemma between the attraction of membership in the powerful G8 nations' club and, on the other hand, problems from possible association with the rich "Western" or "Northern" G8. The question of identity as developing countries plays a part in all this. If the G20 summit proves inefficient, then the G8 + G5, or

even G13 format could prove to be rather attractive and beneficial for the same reasons for which half of the G8's members are fond of their forum: with UN reform halting or at a deadlock, the "G8 +" formula offers a unique opportunity for those not holding a permanent seat on the UN Security Council to significantly increase their power and have a strong say in shaping the architecture of world governance. In this view the G8+ is increasingly seen to be the most important mechanism of global governance, albeit complimentary to the UN.

*Coexistence of the G8 and the G20.* Found, for example, in Dobson's 2001 formulation. A joint article by prime ministers Gordon Brown and Silvio Berlusconi, written just before the London G20 summit, also stipulates such a trajectory (Brown, Berlusconi 2009).

*The G20 replacing the G8.* This was the preferred scenario of the L20 project (although it acknowledged two other possible trajectories: incremental expansion of the G8 and coexistence of the G8 and the L20). Edwin Truman's 2004 formulation also advocates such an outcome.

*Replacement of the G8 by some other grouping or G8 coexistence with such groupings.* Among the most interesting proposals along these lines is that of Kenen, Shafer, Wicks and Wyplosz, calling for the streamlining of European representation in the G7 by establishing a G4 of the US, the euro zone, China and Japan. This would include a substantial part of the G7 but leave out Canada, Russia and the UK – hardly an outcome that would be acceptable to those omitted. The Stephen Roach proposal is a variation on this theme; it would establish a new G5 with the US, the euro zone, China and the UK, thus leaving Canada, Japan and Russia out in the cold. Other variations include Colin Bradford's G12 or G18, and Åslund's G13 (the present G8 + G5) or G12, without Mexico. George Haynal's "G-XX" posits a "G" of the present G8, plus the present G5 (possibly without Mexico) and an indeterminate number of others from Africa, the Middle East, Southeast Asia and so forth. This would coexist with the G8. An interesting variation on this theme is the 2009 proposal of the Stiglitz panel that would establish a council of 20 to 25 members under the aegis of the UN.

*The G2 concept.* This has been suggested in various proposals over the years. For example, Edwin Truman would want a G2 of the US and the euro zone, to coexist with the G20. Bergsten's 2004 paper argues the same way. More recently (as in Brzezinski 2009, referred to above), the US and China have been mentioned as a G2 configuration. It would seem that these proposals imply acknowledgement of a long-established process of bilateral and

plurilateral negotiations that have become routine, often around the G8, and now the G20, summits.\*

*Variable geometry.* This would see the G8 continue as the core of discussions while leaving appropriate room for wider participation, depending on the topic on the agenda and involving various combinations of the G8, the G5, the Major Economies Forum, the Heiligendamm Process, BRIC, and other groupings. On the day of the London G20 summit, 2 April 2009, Italian Foreign Minister Franco Frattini wrote an open letter to the Rome newspaper *Il Messaggero* advocating just such a process. Frattini argues that “thanks both to its format and to its method, the structure of the G8 summit is still extremely valid today and that its flexibility will allow it to spawn an advanced and strategic model in support of world governance”. He then states that the La Maddalena (since changed to L’Aquila) G8 summit “will be a clear illustration of a variable geometry structure based on the dossiers under consideration”. Thus, he forecasts that the summit will begin with “an initial meeting of the ‘historic core’ group of countries”, and that this will be followed by a joint discussion of items on the summit agenda by the G8, the G5 plus Egypt. Finally, there will be a meeting which “will be opened up to a representative group of African countries as well”. He adds that “[i]t is policy goals, more than anything else, that should suggest the formats”. This “evolved” G8, as he terms this format, will be able “to respond to real political-economic needs in a rapidly changing world” (Italy 2009). This “variable geometry” may turn out to become the preferred format.

The question of efficiency versus representativeness is a constant in reform-oriented debates: the smaller the group, the more efficient it is likely to be – but smaller groups lack adequate representativeness. Some might consider that the new G20 summit is too unwieldy to be efficient, although it is unquestionably much more representative of geopolitical realities than the G8. Of course, even the G20 is not completely representative – to achieve that, it would, at the extreme, have to grow to the universality of the UN with its 192 members (“G192”).

And here is a final thought. History does not repeat itself the same way twice, but there are apparent parallels between recent developments in the G8/G20 and the early history of the G7. The latter started with a series of G5 finance ministers’ meetings, then evolved into leaders’ summits, first as G6 in

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\* The authors are grateful to Jenilee Guebert for drawing attention to this interpretation.



1975, then as G7 from 1976 to 1997, and finally as G8, with Russia starting in 1998. The original G5 leaders met on the margins of the 1976 Puerto Rico G7 summit. The G5 finance ministers' forum survived in parallel with the summits until 1987 when it faded away, yielding its place to the G7 finance ministers' forum. G7 leaders continued to meet at the time of summits until the 2002 Kananaskis G8 summit. The G20 forum now exists on both the finance ministers' and the leaders' levels. It is possible that some version of this progression will once again play itself out.

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