G7 to the G8 to the G20

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The origins of the G7/8 can be briefly summarized. In the uncertain years following the 1971 collapse of the Bretton Woods system of fixed international exchange rates tied to the price of gold and the 1973 oil crisis, the need for better coordination of economic and financial policy at the highest level became evident. Finance Ministers from key countries led the way. On March 25, 1973, the Finance Ministers of Britain, France, Germany and the US met and formed the “Library Group”, named after the venue of their initial meeting, the White House Library. In September, they were joined by the Japanese Finance Minister, and this group (subsequently known as the Group of Five) met periodically for more than a decade.

Following these exploratory meetings, in 1974, French President Valéry Giscard d’Estaing invited the heads of government from the United States, Britain, West Germany, Japan and Italy to a summit the next year at Rambouillet. In 1976 the group was expanded to seven with the addition of Canada (seen as a North American counterbalance to the inclusion by France of Italy), and has met 36 times in all. Beginning in the early 1990s, Russia began participating in some of the sessions with G7 leaders during their summits, and at the invitation of the G7, Russia formally joined the group in 1997. The G7 thus became the G8.

The membership and working methods of the G8 are important to recall. Clearly, the initial composition of the group represented the dominant economic powers of the day and these shared the additional characteristics of being democratic, largely “Atlantic-oriented” and militarily allied to the US. The club was relatively small, and the heads of government knew each other reasonably well. The opportunity to talk informally (the use of first names being common) and directly to counterparts was viewed as invaluable, as was the political profile afforded by the regular summits. In retrospect, the addition of Russia now seems anomalous but, at the time, efforts were being made to encourage Russia to become a free market liberal democracy with a commitment to the international processes and norms that the seven considered acceptable. This

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1 The literature on the G8 and the G20 has become extensive in recent years. A historical summary of G8 development can be found in Hajnal (2007). A useful bibliography can be found on the University of Toronto/Munk School for Global Affairs’ G20 Information Centre website at http://www.g20.utoronto.ca/biblio/index.html, and Canadian work on these subjects can be found at the websites of the Centre for Global Studies (CfGS) at the University of Victoria (http://www.globalcentres.org/), the Centre for International Governance Innovation (CIGI) in Waterloo (http://www.cigionline.org/), and the Canadian Defence and Foreign Affairs Institute in Calgary (http://www.cdfai.org/).

2 The following account is taken from Hajnal (2007), The G8 System and the G20: Evolution, Role and Documentation, Ashgate, see p 11 et seq..

3 The Group of Five Finance Ministers group was superseded by the G7 finance ministers’ group set up by the 1986 Tokyo G7 summit.
attempt to secure good behaviour through co-option has been only a partial success – Russia remains different from the original seven politically and economically.\footnote{See Talbott (2002) for an account of this period from the perspective of the Clinton Administration.}

The G8’s working methods reflect the G7’s prior established habits of close consultation. Each head of government appoints a personal representative of the government leader, known in the trade as a “Sherpa”. This official is a critical cog in the summit machine, and to be effective must have direct access to and the confidence of their leader. The Sherpas meet repeatedly in the run-up to the Summit to broker agenda items, communiqué language and physical arrangements; by custom the leader who serves as host chair for a given year proposes the main subject matter focus for that session as well as the meeting site. Sherpas tend to appointed for more than one year (although the practice varies from country to country) and provide both an institutional memory and a means to ensure follow-up to previous commitments.

Over the years, while the agenda has remained focused on economic and financial issues, increasingly leaders have taken on a broader range of topics, from security matters to development to the environment. Once leaders gathered together they did not feel circumscribed by the agenda but instead talked about what seemed most important to them at the time, whatever the pre-cooked communiqués have suggested. By and large, the G8 had evolved by the turn of the century into a comfortable “club”, an established feature of the international landscape that facilitated policy coordination and guaranteed a good photo-op for leaders that conveyed a sense of importance to their respective domestic political audiences.

By the late 1990s, however, a series of financial crises centered largely in Latin America and Asia\footnote{Mexico 1994, Indonesia/Korea/Thailand 1997-98, Russia 1998, Brazil 1998-2002, Turkey 1999-2002, Argentina 2000-01} had convinced the G7 Finance Ministers that key emerging economies were insufficiently included in global economic management efforts. Finance Ministers had been meeting, together with their Central Bank Governor counterparts, in parallel to the G7 summits since 1986. Their mandate had been to focus on fairly technical matters related to economic and financial growth and stability, inflation and currency developments. Led by Canadian Finance Minister Paul Martin and US Treasury Secretary Lawrence Summers, discussions were expanded to include a range of new players. After four initial meetings in 1998 and 1999 involving larger groups of countries (the G22 and G33), in December 1999 a set grouping of twenty was established, consisting of the G8 plus key regional powers plus the European Union.\footnote{The additional countries are – Argentina, Australia, Brazil, China, India, Indonesia, Mexico, Saudi Arabia, South Africa, South Korea and Turkey.}

In the years that followed, the G20 Finance Ministers group proved its worth as a way of opening up and rationalizing the international dialogue. Paul Martin in particular was struck by its effectiveness. In an article in \textit{Foreign Affairs} in 2005, he pointed to the lessons he maintained could be drawn from the experience of this expanded representation.

First, some decisions – no matter how technical – can only be made at the political level. Second, despite the many differences that exist within the group, there are also surprisingly large areas of commonality; all the countries are wrestling with similar issues

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4 See Talbott (2002) for an account of this period from the perspective of the Clinton Administration.  
6 The additional countries are – Argentina, Australia, Brazil, China, India, Indonesia, Mexico, Saudi Arabia, South Africa, South Korea and Turkey.
and have drawn similar lessons from past failures. Third, when national decision-makers discuss issues openly and frankly, it is remarkable how much can be accomplished (never underestimate the value of peer pressure in getting to yes). The G20 has also allowed world leaders to move from a focus on crisis management to a focus on steady improvement in international economic stability and predictability.\(^7\)

Based on the experience of Finance Ministers and Central Bank Governors, Martin became convinced that these countries group should meet at the heads of government level. During his period as Canadian Prime Minister (2003 to 2006) he campaigned actively for the idea with his counterparts and, driven in part through a network of think tanks around the world, the approach developed currency.\(^8\)

In the meantime, the practical disadvantages occasioned by the unrepresentative nature of G8 membership were becoming clearer and clearer. The chair of the 2005 G8 summit, UK Prime Minister Tony Blair, responded by inviting five key developing countries to the Gleneagles meeting – Brazil, China, India, Mexico and South Africa. The 2007 Heiligendamm summit regularized the relationship among the “G8+5”, establishing a schedule for regular Ministerial meetings among the 13 countries to cover four areas.\(^9\) The so called “Heiligendamm Process” was scheduled for review at the G8 summit in 2009, but well before then, the approach of inviting the heads of government of important countries to the occasional meal during summits dominated by developed countries had become bankrupt – and indeed insulting to developing countries and their leaders.\(^10\) Paul Martin reflected on the inappropriateness of dealing with these countries in this way:

…the image of Hu Jintao, the president of China, and Manmohan Singh, the prime minister of India – leaders of the two most populous countries on earth, quite possibly destined to be the largest economies on earth within our lifetimes – waiting outside while we held our G8 meetings, coming in for lunch, and then being ushered from the room so that we could resume our discussions among ourselves, is one that stayed with me….Either the world will reform its institutions, including the G8, to embrace these new economic giants, or they will go ahead and establish their own institutions…\(^11\)

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\(^7\) Martin (2005)
\(^8\) In 2003 Martin had encouraged the Centre for Global Studies at the University of Victoria and the Centre for International Governance Innovation in Waterloo to combine their efforts to flesh out the concept of a leaders’ G20. Those think-tanks worked with an array of international partners to produce a collection of research which addressed the many real-world obstacles and opportunities related to establish this new process. See in particular the CFGS website [http://www.l20.org/](http://www.l20.org/) and the accounts of the research project by Heap (2008) and (2009).
\(^9\) “Promoting and protecting innovation; enhancing freedom of investment by means of an open investment climate including strengthening the principles of corporate social responsibility; defining joint responsibilities for development focusing specifically on Africa; and joint access to know-how to improve energy efficiency and technology cooperation with the aim of contributing to reducing CO2 emissions.” See Heiligendamm Process declaration at [http://www.g-8.de/Content/EN/Artikel/_g8-summit/2007-06-08-heiligendamm-prozess__en.html](http://www.g-8.de/Content/EN/Artikel/_g8-summit/2007-06-08-heiligendamm-prozess__en.html). Starting in 2000, G8 hosts began to invite a variable collection of leaders from developing countries (Africa, Asia) to meetings on the margins of the summits.
\(^10\) The +5 approach had the additional unwelcome consequence (from the G8 perspective) of generating what was in essence a new competing group, the G5, complete with secretariat and summit schedule of its own. So much for the efficacy of half measures.
The Process was only a transitional step in the direction of inclusiveness. It reflected the view of many leaders, including the then new UK Prime Minister Gordon Brown and French President Nicolas Sarkozy, that expansion at the summit level was inevitable. What was lacking was the crisis to make significant institutional change seem essential – and in 2008, the crisis arrived.

By the fall of that year, the US economy was in free-fall, triggered initially by bank failures and a housing market collapse. Stock markets around the world plunged. It quickly became apparent that the existing political and economic institutions – the IMF, the G8, the UN or the G20 grouping of finance ministers – were incapable of coordinating a response to the financial crisis. At the end of October, just prior to the Presidential election, a lame-duck President George W. Bush called together the leaders of the G20 countries to “…review progress being made to address the current financial crisis, advance a common understanding of its causes and, in order to avoid a repetition, agree on a common set of principles for reform of the regulatory and institutional regimes for the world’s financial sectors”.12 There was already a meeting of G20 finance ministers scheduled for November 2008; in the event, it served as a preparatory session for the subsequent meeting at leaders’ level13.

The November 14 and 15, 2008, meetings were not small, including as they did the leaders of the IMF and the World Bank, as well UN Secretary General Ban Ki-moon and the chair of the Financial Stability Forum. In addition, Spain and the Netherlands insisted on being present and were supported in this effort by the French President, who was also President of the EU at the time and thus controlled two sets of seats.

The litmus test of this first G20 summit’s success at a time of high financial peril was that the leaders found it sufficiently worthwhile to follow through and meet again. In London in April 2009 and Pittsburgh in September the same year, leaders subsequently hammered out a common approach which included coordinating economic stimulus packages (and eventually steps to extricate themselves from them), avoiding protectionism, addressing global imbalances, tripling the financial resources of the IMF (thereby re-invigorating a moribund institution), and working out stricter rules for banks, hedge funds and other financial players. The general view is that the first three G20 summits can be counted as successes, especially when the potential alternatives are considered.14

Prime Minister Harper decided to host G8 and G20 summits back-to-back in 2010. The outcome of the Huntsville G8 and the Toronto G20 did not illuminate the respective roles of the two gatherings so much as it demonstrated the confusion over them. It could be argued that Toronto (as opposed to Huntsville) by its very existence served to cement key developing countries into

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12 Statement by White House spokeswoman Dana Perino quoted in the October 22, 2008 Washington Post (http://www.washingtonpost.com/wp-dyn/content/article/2008/10/22/)

13 Earlier in the year, on August 27, 2008, President Sarkozy had called for the G8 to be expanded to a G13 (by adding China, India, Mexico, Brazil and South Africa), but the French President acquiesced in the G20 summit configuration.

14 See Barysch (2010) for a rather contrary view from the Centre for European Reform. Katinka Barysch emphasizes the need for G20 leaders to concentrate on unfinished business and resist the temptation of broadening the agenda. She also suggests that leaders focus on the task of integrating the G20 into the existing systems of global governance.
global decision-making but, equally, a case could be made that the G20 needed more time to work through the ambitious work program set in motion by the two G20 meetings (London and Pittsburgh) held in 2009.

The Korean’s G20 summit in November 2010 was well prepared and well executed. The Koreans did an excellent job in consulting with non-G20 countries and non-state actors, including the development and business communities and civil society generally. The Seoul agenda again focused on the commitments made at previous summits, and the progress made towards those commitments. The Koreans, however, added aspects of development and global financial safety nets to the agenda and, as such, successfully added development to the G20 agenda with commitments that will require follow-up at future summits. Colin Bradford has described the Seoul Summit as showing “signs of a gradual maturing of the process and the forum as a mechanism for communication among leaders and a means of connecting leaders and finance ministers with their national publics…”15 Furthermore, the outcomes and processes of the G20 in Seoul suggest that leaders have embraced this forum as the place to work through the financial issues they face post-crisis such as the financial system and imbalances.16 Despite the progress made on IMF reform, financial regulation, and development, the media coming out of the Seoul summit focused on what had not been achieved. A more realistic perception of possible results needs to be better managed in future summits.

France will host both a G8 and a G20 in 2011. The French are prudently planning for two separate summits with two separate agendas. The G8 will take place in May and the G20 in November. The G8 in Deauville will give priority to: Afghanistan, the Broader Middle East and North Africa (BMENA) Initiative, the internet, non-proliferation, G8 partnerships with Africa, counter-terrorism, drug-trafficking and security.17 Like the G20 Summit, the G8 agenda will include follow-up on past commitments from previous summits and progress reports on working groups. At the G20 summit in Cannes, the French priorities are: continuing the previous work on coordinated economic policies and macroeconomic imbalances, strengthening financial regulation, and development; more specifically in terms of French priorities, President Sarkozy has spoken on a number of occasions about reforming of the international monetary system; reducing volatility in commodity markets; and improving global governance.

The G20 at leaders’ level was originally convened to mitigate the damage of the financial crisis of 2008. As we transition out of crisis management and towards recovery and stability, there is a concern that countries will lose the sense of urgency to agree on key issues and policies in response to them. For the G20 to be effective and transition into managing issues beyond the financial crisis, it must demonstrate the ability to coordinate financial policies and implement decisions agreed upon at previous summits. Failure to do so threatens its sustainability at a leaders forum.

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16 Ibid.
17 http://www.g20-g8.com/g8-g20/g8/english/priorities-for-france/the-priorities-of-the-french-presidency/the-priorities-of-the-french-presidency-for-g8.815.html
The last section discusses future content and process issues in the G20. I invite panelists to provide feedback on and/or reactions to my analysis regarding: interactions with the G8, agenda expansion, composition, preparation, and outreach.

**G20 - The Way Forward**

*G8 vs G20*

The G20 has the ability to combine the best of the G8 and the need for a more representative grouping of key economies. According to Ramesh Thakur:

> The G20 offers the best crossover point between legitimacy (based on inclusiveness and representation), efficiency (which requires a compact executive decision-making body) and effectiveness (where those who make the decisions have the greatest ability to implement or thwart them). Its purpose would be to steer policy consensus and coordination and mobilize the requisite political will to driver reform and address global challenges… It could combine the personal engagement and informality of G8 summity, the detailed preparation and follow-up work requires to vest summits with successful outcome and delivery and the unique legitimacy that only the UN can confer as the sole authenticated voice of the collective international community. Thus, the real challenge is how to retain the positive attributes of the existing major nodes of global governance while shedding their pathologies.¹⁸

There are too many summits. The G20 has emerged as the “premier economic forum”, while the G8 continues to meet and address other global problems. It is absurd that China and India, among others, are not present to discuss global problems, presuming they wish to be present, when they comprise almost 40 percent of the world’s population.¹⁹ Provided the G20 is able to deliver on promises made regarding the economic crisis, it will likely enlarge its agenda to tackle issues the G8 currently addresses – as was demonstrated by the Koreans adding development in 2010. The extent to which China and others block enlarging the G20 agenda will determine the viability the G8 remaining active. Additionally, countries which have (or think they have) greater relative influence in the G8 than they do in the G20 (Canada, Italy, and even Japan), would prefer to retain the G8 for non-economic agenda items such as non-proliferation and other international security issues.²⁰

A problem will arise if the G8 addresses issues that are on the G20 agenda. If this occurs, the G8 will be seen by countries on the G20 but not G8 members as the inner sanctum. There will be push back about the G8 being a caucus. If on the other hand the G8 sticks to non-G20 subjects like proliferation or terrorism, the problem will not arise.

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¹⁹ As of January 2011, China and India make up approximately 38% of world population. [www.census.gov/ipc/www/idb](http://www.census.gov/ipc/www/idb)


*Agenda Expansion*

The G20 will only be capable of continuing as an influential forum and expanding its portfolio beyond international economic cooperation if it successfully coordinates its efforts on resolving the financial crisis. If the G20 increases its credibility, the potential does exist for it to tackle substantively other pressing challenges mentioned (within the context of the crisis). When and how these issues will be added to the agenda depends on the G20 chair, which is responsible for setting the agenda for each summit. The Koreans added development to the Seoul Summit agenda and produced the “G20 Action Plan on Development”. The French will continue the development work initiated in Seoul and have stated they seek to raise its profile as an agenda item. France has also added food security to their agenda—in the context of commodity price volatility. The Mexicans, as 2012 G20 hosts, have already begun ruminating on potential agenda items and topics. Mexico, as an emerging economy, recognizes its role as a “bridge country” and hopes to make a contribution on subjects significant to both emerging and developed counties.

The subjects have to be right for leaders. They have to be political and not technical. They should produce interesting discussions, and not ones with successive pre-prepared interventions. The summits are now short, with less than 24 hours of actual meeting time. Barry Carin has identified several general criteria to assess whether an issue is suitable for inclusion on the G20 agenda, and stresses there should only be a limited number of issues on any particular agenda. He identifies the following criteria:

- Major implications for both developing and emerging economies
- Concern for crisis management – a real need for immediate action
- Involvement only as a last resort – when existing machinery proves unequal to the task – the G20 should avoid issues effectively manageable by other international organizations
- Focus on issues where there are prospects for success.

This last criterion, prospects for success, could be a reason why President Sarkozy, a strong proponent of UN Security Council reform, has decided against addressing the issue in the context of his global governance reform priority. Instead, he has challenged the UN to reform the Security Council *from within*. Regardless of careful planning and preparation of agendas, however, any summit’s agenda is captive to following up on previous agendas and vulnerable to sudden new crises.

*Composition*

Earlier discussions for a more representative body than the G8 model tended to treat with

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21 [http://www.g20-g8.com/g8-g20/english/priorities-for-france/the-priorities-of-the-french-presidency/the-priorities-of-the-french-presidency.75.html](http://www.g20-g8.com/g8-g20/english/priorities-for-france/the-priorities-of-the-french-presidency/the-priorities-of-the-french-presidency.75.html)


circumspection the question of who would qualify for inclusion. There were the obvious candidates (China, India, Brazil) and then there were “the rest”, a group difficult to define precisely, beyond notions of regional importance. In the event, the existence of the G20 Finance Ministers provided a helpful template, and Paul Martin and Larry Summers adopted that roster for the first G20 summit.

Although France’s summit in 2011 will be the sixth meeting of the G20 leaders, there is still ongoing debate regarding who is at the table. None of the summits, thus far, have actually had only 20 seats at the table. Spain and the Netherlands were invited to the first few meetings, and Pittsburgh invited ASEAN and the AU. The Koreans invited five additional countries—four as representatives of regional organizations: Malawi (AU), Ethiopia (NEPAD), Singapore (3G)25, Spain (based on economy size and now, curiously, a permanent guest), and Vietnam (ASEAN); and seven international organizations: FSB, ILO, IMF, OECD, UN, World Bank, and the WTO. Despite these additions, Africa is still underrepresented and Europe is still overrepresented. There is no criterion for membership, and the excluded will always be critical if not resentful of both the process and its outcomes, until they day they are at the table.

The relationships among leaders are an important factor in the success of summits. The greater the number of leaders around the table, the more it presents challenges in developing empathy and personal relationships—imperative in formulating consensus. Personal trust amongst leaders allows for candid discussion of sensitive issues without political posturing. There needs to be fewer people in the room to engage the leaders in discussions; and heads of international organizations should only be there for relevant agenda items.

The new norm will be 5 non-members invited. The reality is that the guests and heads of the international institutions say very little. The discussions are very different than in the G8. People read statements, come in and out of the room, heads of international organizations and non-G20 countries say very little. Free wheeling discussion of the G8 seems now not to exist. This is deeply worrying.

Preparation

The preparatory process for summits is extensive. The burden of substantive preparation on G20 Sherpas with their teams, and Ministers of Finance and their deputies and supporting officials is enormous. The increased number of participants in G20 summits complicates the logistics of a process that was designed for a meeting of eight countries. Additionally, as the agenda expands to include a more diverse range of issues, the Sherpa will be responsible for coordinating more Ministers, officials, and sources of information. The challenge is to manage and organize the summit to ensure continuity, institutional memory, and the implementation of plans and promises, and yet be driven by capitals. Efficiency and bureaucracy are rarely compatible. Preparation could be partially done through a nimble “non-bureaucratic” secretariat controlled by Sherpas to provide administrative and other support to the overall activities of the G20.

25 The 3G is the Global Governance Group, is an informal group of small and medium-sized states that came together in 2010 in the hope of developing a constructive dialogue on coordination and cooperation between G20 and non G20 members. Singapore is chair. See www.un.org/esa/ffd/events/2010GAWGFC/7/Stmt_Singapore.pdf
A small secretariat could be managed by the presidency’s Sherpa, assisted by Sherpas from the other troika countries (past, present and future hosts). The secretariat could move with the presidency each year. Officials seconded from and paid by G20 governments for a maximum of three years could staff the secretariat. These seconded officials would maintain the essential contact with their leaders and own governments.

France was originally a proponent of establishing a secretariat (which would further institutionalize the G20), although it seems to have fallen from their radar. A secretariat could, however, be useful for smaller countries that do not have the experience or resources to manage summit preparation adequately.

Outreach

To enhance legitimacy for and understanding of the G20 process, more extensive outreach efforts, led by the chair, could be institutionalized. The Koreans were successful in their outreach efforts, hosting consultative meetings with the development community and a side event, the Business Summit, with business leaders. The G20 must incorporate the interests, perspectives, and opinions of both excluded countries and non-state actors. “The legitimacy of the decisions and directions taken by the G20 depends on the degree to which those left out feel represented by the process – the greater their perception of inclusion, the more likely they will be to adopt or endorse G20 policy positions.” This requires reaching out to not only other governments, but to business and civil society – as the Koreans did, regional organizations and the policy research community. Transparency and participation will enhance legitimacy.

For the G20 to be sustainable, it must be legitimate. To be legitimate it must be effective. Public opinion is becoming increasingly impatient with the perceived lack of output from this process. However, the G20 is exactly that: a process. It is a mechanism to work through intense policy disputes, for leaders to meet and agree on coordinated policies and to provide leadership on difficult global challenges. At this point in time, it is the best option for working through such challenges.

The following questions should guide the discussion on the future of the G20:

1. How is the G20's defined mandate to be the 'premier economic forum' viewed in your country, e.g. by government, the private sector and civil society?

2. G20 leaders currently monitor and steer the existing international economic institutions in implementing leaders' decisions. Do you agree with this structure or would you change it, and if so how? Can or should meetings of the G-20 be a vehicle for reaching definitive decisions? If so, does it need more "structure" to be effective, i.e., a secretariat, preparing meetings at the deputies' level, a clear link to the IMF or other established bodies?

3. The G20 was organized at the level of leaders to manage the worst economic and financial crisis since the depression. As recovery takes hold do you think the G20, given its short history and recent mandate, can effectively prevent future economic crises? If not, what could be done to improve its effectiveness? Are there sufficient incentives to cooperate?

4. Many observers suggest that the world economy is entering a ‘new normal’ with robust growth in the emerging market economies and slower growth in the large advanced economies as they go through deleveraging. Do you think, generally, that the global economic institutions (IMF, WTO, World Bank) are up to the challenges we face in this multi-polar world?

5. What do you think the G20 will look like in five years? Please comment on agenda/objectives, membership and outreach to non-members, reflecting your views of the shift in economic power underway in the world economy. Is there a continuing role for the G8?

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