Guiding Global Order: G8 Governance in the Twenty-First Century

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JOHN J. KIRTON[1]

Introduction

One of the most persistent criticisms of the G7 since its inception in 1975 has been the way in which this exclusive club of the world's most powerful major industrial democracies has served as an unrepresentative, and thus illegitimate and ineffective, subset of the global community it seeks to lead (Commission on Global Governance 1995, ul Haq 1994, Jayawardena 1989, Smyser 1993, Brzezinski 1996, Bergsten 1998, *Economist* 1998, Hajnal 1999, Hodges 1999). These criticisms, flowing from both the policy and scholarly communities, have been countered by an equally insistent argument that the effectiveness of the G7 as a source of badly needed leadership for the full global community depends critically on the very small size, highly selective membership, and common values of the forum (Kirton 1993, Bayne 2000). The debate between these competing schools has recently become all the more intense, as the G7, despite its continuing shortcomings, has become an important contributor to global governance, and thus one that countries seek to enter. Indeed, the longstanding debate between G7 membership 'expansionists' and 'minimalists' has now entered a new phase. Expansionists have steadily added new candidates to their list of the actors worthy of inclusion. Some minimalists have accepted the 1998 expansion of the G7 into a new G8 with Russia as a member, recommended other candidates for at least partial inclusion, or argued that a revival of G8 effectiveness requires an expansion of membership as the new world of the twenty-first century dawns (Kirton 1999a; Cutter, Spero, and Tyson 2000).

For its first quarter century, the G7 itself responded to the classic logic of the minimalists, by barely expanding beyond the original six countries (France, the United States, Britain, Germany, Japan, Italy) and Canada, which had been promised a place from the start. This minimalism has been maintained in the face of repeated pleas, from the very inception of the G7, from a broad range of countries, led by the Netherlands, Belgium, and Australia, that repeatedly sought inclusion in this highly restricted plurilateral club. Indeed, only Canada, the European Union (EU), and Russia succeeded in securing admission in 1976, 1977, and 1998 respectively. An equally vigorous and variegated group of claimants has directed their energies, with considerably more success, at securing admission to the many G7-incubated forums, at the official and ministerial level, established to deal with the pressing political security and transnational-global issues of the day (Hajnal 1999). Yet in the domain of finance, where the claims for inclusion have been particularly intense, the G7 has long remained hermetically sealed at all levels. It was only in 1986 at the Tokyo Summit that Italy and Canada, long-time members, were admitted to the Group of Five finance ministers, which continued to meet for a time 'at five' members as well as 'at seven'. Even with Russia's admittance to the newly named 'Summit of the Eight' in 1997 and permanently to the leaders-level G8 institution itself in 1998, the G7 has continued to meet on its own to deal with macroeconomic and finance issues.

Given this dominance of minimalism during the G7's first quarter century, it was all the more surprising that the closing years of the twentieth century brought an outburst of new G7-centred and sponsored institutions at the ministerial and official levels in the field of finance. The process of expansion began, most broadly, at the meeting of the leaders of Asia-Pacific Economic Cooperation (APEC) forum in Vancouver in November 1997. Here U.S. president Bill Clinton pioneered a short-lived Group of 22 (G22) to discuss the unfolding Asian financial crisis and ways to strengthen the international financial system in response. The process continued in the spring of 1999 when the G7 created a new body, the Financial Stability Forum (FSF), first made up of the G7 states but soon with four new members added. The FSF was to confront the challenge of dealing with issues once considered technical but now viewed as having greater political consequence and relevance to the broader world.

By far the most ambitious attempt to move from the G7 to a broader forum for global financial governance came with the creation of the G20 in September 1999, in accordance with the commitment made by G7 leaders at their Cologne Summit in June of that year. As with the G7 itself at the moment of its creation, the formal mandate of this new political level forum centred on financial matters but also embraced the full economic domain. The members of the G7 collectively contained a predominant share of the world's economic capabilities. Moreover, in sharp contrast to the many issue-specific bodies incubated in the G7, which had regularly arisen since the G7's start, the G20 quickly generated claims that it would soon supersede the G7/8 itself. Indeed, no less an authoritative, well-positioned participant than Ernst Weltke, President of the Bundesbank, declared at the time of the G20's first ministerial meeting that the organisation could replace the G7 or at least take over its leading global role (Porter 2000).

Is the G20 in fact a major, step-level jump into a more genuinely global governance of the international financial and economic system in the crisis-prone globalised system of the twenty-first century? Or is it yet another of the proliferating array of informal, consultative bodies struggling to find a significant role in a world where established institutions, while increasingly under assault, still hold a predominant place? The sceptics can readily point to the G20's origins as a transitory response to the 1997–99 Asian-turned-global financial crisis, to its origins as an effort to institutionalise and thus contain U.S. institution-creating unilateralism in a way that reflected and reinforced G7 dominance, and to the restricted novelty of its agenda and actions during the G20's first year. Yet the visionaries can counter with several credible claims. The G7 itself was founded amidst financial crisis grounded in inexorable linkages to a full range of other issues. The G7 was also created by forward-looking finance ministers from outside the United States who wished to continue their informal meetings when they became leaders. Moreover, the crisis-ridden world of the early twenty-first century, much like in the early 1970s, needs a new centre to combine the capabilities and address the vulnerabilities of a fresh set of leading countries to cope with the new agenda and system that has arisen.

This chapter argues that it is the visionary conception that is likely to prevail, particularly if the G20's founding custodians successfully steer it in a direction that gives it the authority of the leaders themselves and the full breadth, novelty, and ambition of the agenda they demand. For the G20's origins, early operation and prospects are well accounted for by an expanded version of the realist and liberal-institutionalist concepts combined in the concert model of G7/8 governance (Kirton 1989, 1993, 1999a). This model explains why particular institutions prevail and others fail as effective centres of global governance. More specifically, the G20 is destined, at a minimum, to remain important as a way of reinforcing the leadership and legitimacy of the G7/8 by ensuring that the latter's initiatives are understood, accepted, 'bought into', and thus implemented by a broad group of consequential countries. But it also, reciprocally, will do so by ensuring that the G7/8 itself performs its leadership role with a full sensitivity to the perspectives, positions, and domestic political priorities and politics of this broad group. The G20, more than its leading institutional competitor, the International Monetary and Financial Committee (IMFC) recently created by the International Monetary Fund (IMF), has the flexibility, and the lateral and vertical linkages, to emerge as the leading centre of legitimisation, sensitisation, and timely, well-targeted action in the emerging international system. Moreover, the G20's current seminal custodians, led by Canada's minister of finance Paul Martin, are constructing and implementing the vision required to endow the G20 with the political authority and broad, innovative, ambitious agenda and accomplishment to render it effective as a broadly representative leadership forum.

To develop this analysis, this chapter first examines the existing embryonic literature on the fledgling G20, argues that its origin, operation, and prospects are well accounted for by the concert model, and explores the ways in which the logical international institutional 'trilemma' of representativeness, effectiveness, and leadership faced by the G20, along with other such institutions, can be resolved in the G20 architecture. It next discusses the origins of the G20 in the emergence of the New Arrangements to Borrow (NAB), the G22, the FSF, the Cologne Summit 'GX', and the G20 itself. Then, it analyses the initial year of the G20's operation, from the deputies meeting in November 1999 through the December 1999 Berlin ministerial, the March 2000 deputies review session. the Washington meetings of the IMF and the International Bank for Reconstruction and Development (IBRD), the G7 and the IMFC in April 2000, and planning for the October 2000 Montreal ministerial of the G20. Finally, the chapter looks ahead at prospective approaches and architecture for the October 2000 and post-October G20, and draws conclusions as to the group's future importance and role.

The G20 and the 'Trilemma' of Global Governance

To date, the most complete, theoretically grounded analysis of the origins, early operation, and future prospects of the G20 comes from Tony Porter (2000). He argues that the concept of legitimacy, as opposed to standard realist, liberal-institutionalist and Gramscian explanations, is critical to accounting for the creation of both the G20 and the FSF. In Porter's analysis, although realist theories may account for U.S. leadership in creating the earlier G22, the subsequent G20 cannot be seen as a direct benefit to the U.S. alone or to its G7 colleagues, especially in relation to the non-G7 powers that had their relative power enhanced by membership and that apparently made no bargaining concessions to secure admission. Similarly liberal-institutionalist approaches may account for the G20's role in reducing transaction costs, creating economies of scale in learning, reducing uncertainty, and enhancing monitoring in the wake of the 1997–99 financial crisis and for the use of the G7 as a regime 'nest'. However, the absence of rational bargaining among G7 or full G20 members, the absence of concessions from non-G7 members to secure membership, and the momentary crisis-induced weakness of developing country members at the time of their admission constitute important departures from liberal-institutionalist claims.

Gramscian approaches fare even less well. Despite its capitalist-friendly appearance, the G20 increased the autonomy of member states relative to the business community, saw business groups play no consequential role in the group's formation or operation, and emphasised two key ideas — private-sector burden sharing and slow capital account liberalisation with selective capital controls — that were antithetical to the interests of the wealthy classes. While the G20's efforts to minimise the frequency and severity of financial crisis and instability are indeed in the interests of wealthy and the broad mass of newer investors, these interests are shared by all citizens in the crisis countries and the international community as well. A superior explanation thus flows from the dynamics of legitimacy — the way the FSF and G20 provided technical and political legitimacy on economic, technical, and democratic levels.

Porter's account properly points to the crucial role of crisis, in particular the second shock (Kirton 1989) of the 1997–99 global financial crisis that delegitimised the prevailing institutions (the IMF, the G10[2], the Basle Committee on Banking Supervision, and even the G7 on its own) and prompted a call for a new, more broadly representative forum that shifted the prevailing pre-crisis neoliberal doctrine to a more socially sensitive approach to globalisation. Yet, a more detailed examination of the evolution and early operation of the G20 suggests a more robust role for realist and liberal-institutionalist interpretations than Porter presents. The initiative to create the G22 was more a personal initiative of President Bill Clinton than a U.S. state interest (Krasner 1978). Yet, it gave the U.S. government, along with its fellow members of the G7 concert, a shared interest in creating a regularised, institutionalised forum with a permanent, fixed membership and proper reporting relationship to the G7 and the other established international institutions in which it was nested. Even with the apparent decade-long 'Goldilocks' economy and the 1997–99 crisis-driven resurgence in relative U.S. power against G7 countries other than Britain and Canada, the G20, as with the G7 itself in 1975, mobilised systemically predominant capabilities to combat a now much more global threat and one that a post-hegemonic U.S. could no longer combat alone, as the September 1998 Long-Term Capital Management (LTCM) crisis revealed (Kirton 2000).

Most importantly, in an intensely globalised world, the equalisation of intervulnerability (Keohane and Nye 1989), more than capability, required the involvement in an expanded regime of those countries able to contribute resources to the G7 in the face of systemic threats, or, as importantly, able to infect it directly through vulnerabilities within their national systems. Unlike the members of the earlier Organization of Petroleum Exporting Countries (OPEC), the Group of 77, the Consumer-Producer dialogue, the Cancun 'global negotiations' groups, or the 1989 G15, the G20's outer, non-G7 ring of middle powers thus mattered in multidimensional power terms. They mattered both for the reinforcing capabilities and the destructive vulnerabilities they brought in a tightly wired world. Indeed, the global geographic extent, contagious speed, and domestic destructiveness of the new globalisation, dramatically displayed by the 1997–99 global financial crisis, required a far greater predominance of capabilities than before, as well as far more states inside the core, to lead in implementing the domestic measures to prevent such systemically and socially destructive crises from arising.

Furthermore, unlike the divided world of the cold war era, the international community now possessed enough democratic polities — or those moving toward more democratic forms of governance — around the globe. This made it possible to create a permanent institutionalised association for effective global governance based on shared domestic values. It was from this democratic or proto-democratic stratum that the G20's outer members were drawn and from its democratic values that its common purpose was forged.

Beneath the unified appearance it presented to the outside world, the G20 was marked by significant bargaining over fundamental issues in its creation and early operation. The most profound issue was the overall architectural question of whether the G20 or the rival IMFC would emerge as the effective political centre of economic governance in the new era. A second was the question of membership, with different G7 members having distinctive preferences, and each enjoying some success as it sought to reinforce its national advantage in the new institution and bring into being its preferred approach to world order. And the third issue, as shown by the debate over the new principles of private-sector participation and controlled capital account liberalisation, was the way that the initial division between G7 and non-G7 members, showed signs of yielding to a reciprocal flow of influence and to fluid coalitions of G20 members that crossed the divide from the G7 to the non-G7 members.

In short, in the post–cold-war, post-crisis, intensely globalised world of the early twenty-first century, an expanded form of the concert equality model that explains the emergence, operation, and effectiveness of the G7/8 accounts to a high degree for the creation, early activity, and probable impact of the G20 as well. Still in its initial years, the new G20 forum has defined by predominance without, equality within, multifaceted intervulnerability rendered visible by a second shock, the common purpose of embryonic democratic governance, and the fluid pattern of making internal coalitions, in which any member could combine with any other on the basis of interest and distinctive national values. It was the embryonic reservoir of common purpose, the role of coalitional fluidity in knitting together the large collection of members beyond the confines of a K-group (Snidal 1989), and the G20's resistance to further expansion that showed that the principle of constricted participation remained relevant. Indeed, it was only the character of political control by popularly elected leaders that was absent. Yet, even here, there were early signs of forces at work to bring this feature into effect.

A second analysis of the G20, that offered by Pierre Marc Johnson in Chapter 13, 'Creating Sustainable Global Governance', rests implicitly on the core elements of this expanded concert model and points to the major missing ingredient of political control. Johnson views the G20 as a 'promising organisation that could play a significant role in global governance'. In his view, its promise rests on its combination of the 19 countries plus the EU, the European Central Bank (ECB), the IMF, and the World Bank. It further rests on the G20's predominant concentration of 87 percent of the world's gross domestic product (GDP) (and 65 percent of its population), the special strength and influence that come from its operation by economics and finance ministers, its comprehensive and flexible agenda, and its first chair's focus on an expansive agenda that includes poverty reduction and other measures to ensure that the benefits of globalisation are widely shared.

Johnson thus sees the G20 as a body able to play a significant role in fostering a new north-south bargain that would restart a new round of negotiations on multilateral trade liberalisation, bring together trade, environment, and development issues, and design and foster a new system of global governance. He concludes by asking the 'highest authorities' in the G8 and G20 to integrate a broad array of trade, financial, environmental, and social issues to secure a new coherence in global governance for the twenty-first century.

The application of the concert model to the new system of pervasive, penetrative intervulnerability and expanding domestic-level democratic governance thus does much to account for the creation, early operation and potential path of the G20. However, its emergence as an effective centre of global governance ultimately depends on its success in meeting and resolving the contradictions among three central performance criteria for international institutions that serve as the underlying causes of the legitimacy they secure.

The first component of this international institutional ‘trilemma’ is representativeness — or the number and balance of various dimensions of the actors included in the forum. As Table 9.1 shows, the G20 currently contains more than double the number of countries, and two more multilateral institutions, than the G8 does. Non-G7 and G8 countries predominate. There is a rough balance between developed and developing countries, and Organisation for Economic Co-operation and Development (OECD) and non-OECD members. G20 members come from all geographic regions, with a particularly robust representation from Asia, and from all of the world’s major geopolitically relevant civilisations. Relative to its IMFC rival, the G20 can be open to criticism only on the grounds that it underrepresents Africa, traditional western European middle powers, and the francophone world. Moreover, the participation of the IMF and the World Bank gives the G20 a claim to at least a second-hand representation of the universal membership of the global community, over the broad and expanding array of finance, development, and many related international and domestic issues these Bretton Woods institutions now govern. However, as with the G7 and G8, the unique presence among regional organisations of the EU and ECB constitutes an imbalance that privileges developed and European countries rather than the broad array of emerging, smaller, developing, and least developed countries from most other regions of the world. More broadly, the G20 has not been created with an architecture, nor has it yet devised a process, for incorporating civil society representatives, even in the classic form that international institutions such as the OECD or the International Labour Organization have long had.

The second component is that of effectiveness, defined as the ability to reach and implement timely, well-tailored collective agreements to solve and ideally prevent the crises and problems of the day. There is a clear tradeoff between representativeness and effectiveness. Additional members in themselves compromise the capacity for effective action, for the reasons specified in liberal-institutionalist theory. Yet, the G20 has minimised the additional transaction costs created by its larger membership in several ways.

Table 9.1 Financial Forums and Their Membership

	G5 (1975)	G7 (1975)	G10[a] (1962)	G8 (1997)	G22 (1997)	G20[b] (1999)	IMFC[c] (1999)	G33 (1999)
Canada		x	x	x	x	x	x	x
France	x	x	x	x	x	x	x	x
Germany	x	x	x	x	x	x	x	x
Italy		x	x	x	x	x	x	x
Japan	x	x	x	x	x	x	x	x
Russia				x	x	x	x	x
United Kingdom	x	x	x	x	x	x	x	x
United States	x	x	x	x	x	x	x	x
Algeria							x	
Argentina					x	x	x	x
Australia					x	x	x	x
Belgium			x				x	x
Brazil					x	x	x	x
Chile								x
China					x	x	x	x
Côte d’Ivoire								x
Denmark							x	
Egypt								x
Gabon							x	
Hong Kong SAR					x			x
India					x	x	x	x
Indonesia					x			x
Korea					x	x		x
Malaysia					x			x
Mexico					x	x	x	x
Morocco								x
Netherlands			x				x	x
Poland					x			x
Saudi Arabia						x	x	x
Singapore					x			x
South Africa					x	x	x	x
Spain								x
Sweden			x					x
Switzerland			x				x	x
Thailand					x		x	x
Turkey						x		x
United Arab Emirates							x	

a. Observers: Bank for International Settlements (BIS), European Commission (EC), the International Monetary Fund (IMF), and the Organisation for Economic Co-operation and Development (OECD).
b. Includes two institutional representatives (European Union and IMF/World Bank).
c. International Monetary and Financial Committee (IMFC), formerly the Interim Committee, established in October 1974.

The additional non-G8 member states contain many that have been involved in other G7-centric regimes in various fields. Moreover, the additional international institutions — the IMF and IBRD — have been in close association with the G7/8 in recent years at the levels of the leaders and lower. The costs in transactions, transparency, and monitoring thus ought to be sustainable, especially if an early emphasis can be placed on open, informal dialogue, and on those non-divisive agenda items where there is a very broad and deep reservoir of at least latent consensus among the members.

To be sure, the inclusion of different kinds of actors — ministers of national governments and international civil servants heading international and regional organisations — has compounded the obstacles to effective collective decision making. At the same time, the participation of these officials has enhanced the prospects of compliance and effective implementation, given the capacity of the non-state bodies and the second-hand inclusion of other countries through the international institutions (Kokotsis 1999; and Kokotsis and Daniels 1999). The G20 faces the initial task of ensuring genuine representativeness among its existing members through open and meaningful dialogue on core finance items that command considerable consensus; nonetheless, its emergence as an effective centre of global governance will depend on its ability to move into actual decision making on more difficult issues, if only in response to crises where other charter-bound, bureaucratically constrained international organisations prove too slow.

The third component of the trilemma is leadership, best seen as the task of producing new directions in process and principle for the broader international community as part of crisis response, crisis prevention, or proactive reform of the global order. These directions are those on which outside actors can coalesce, for leadership requires followership. Here there is a tradeoff between effectiveness and leadership, as the task of reaching and implementing decisions on issues at the heart of the institution's competence and acknowledged role in the international institutional division of labour may be compromised should the institution embrace a broader array of subjects and interrelate them in ways that offer a political redefinition rather than one at the technical level. Moreover, there is also a tradeoff between representativeness and leadership, as institutions with a large number of diverse forms of members find it more difficult to arrive at consensus in identifying far-reaching new directions for global order.

The challenge for the G20 is to resolve these tradeoffs within this trilemma, in ways that are at least as, if not more, successful than either the pre-existing G7/8 at its core or the competing IMFC. Failure to do so would confine the

G20 to being primarily a second-tier body for the legitimisation of G7/8 deliberations, direction setting, and decisions, or would restrict the task of shaping a new global order to the leadership of the IMFC and the confines of an IMF charter and institutional culture grounded in the world of 1944.

The Origins of the G20

The G20 emerged most directly from efforts during the 1990s to broaden the traditional G7 and G10 centres of international financial governance and to include actors with additional and rapidly growing capability, in order to help stem the deepening and broadening intervulnerability that a rapidly globalising system brought. The process began in the aftermath of the December 1994 Mexican peso crisis with the emergence of the NAB. It continued with the creation of the G22 and FSF, bred by the 1997–99 global financial crisis. It culminated with the establishment of the G20 itself. Throughout the process, there has been a recurrent effort to combat the intervulnerability highlighted and accentuated by crisis, to institutionalise and constrain unilateral U.S.-centred leadership, and to combat regional solutions in favour of a new approach to global governance tailored to the demands of a new era.

The New Arrangements to Borrow

The origins of the G20, and the larger process of broadening the G7 network of consultation to include major developing countries or emerging markets in the domain of finance, date from the mid 1990s and the first financial crisis of that decade. The creation of the G7-dominated NAB was prompted by the Mexican peso crisis and the G7's call, at the 1995 Halifax Summit, to the G10 to double the monies available to the IMF under the General Arrangements to Borrow (GAB) (Bergsten and Henning 1996). The IMF Executive Board approved the NAB on 27 January 1997. Its approval entered into force on 17 November 1998. The NAB, whose secretary is housed at the IMF, is similar to the longstanding GAB, but brings to bear more funds and additional contributors. Both the NAB and GAB were used during the 1997–99 crisis. The fact that the NAB had more money and more flexibility than the GAB proved essential in the successful containment of the crisis.

Of the 25 members of the NAB, those with the lowest contribution of 340 million Special Drawing Rights (SDRs) are the Hong Kong Monetary Authority, Finland, Korea, Malaysia, Singapore, and Thailand. Canada, the lowest ranked G7 member in the NAB, has 1396 SDRs while the U.S., the top-ranked G7 member, has 6712.

The G22, November 1997

A further step toward expanding the G7 concert and the older G10 in the finance domain came with the formation of the G22, created at the personal initiative of President Bill Clinton at the November 1997 APEC leaders' meeting in Vancouver. The group's activities over the subsequent year centred on reports on particular aspects of the international financial architecture. The G22's activities proved instrumental in the creation of the new G20, as a successor body more closely integrated with the work of the established International Financial Institutions. The experience with the G22 and parallel G33 had highlighted the need for a 'regular international consultative forum with a broader membership than the G-7' and one integrated into the governance structures of the IMF or World Bank (Canada 1999a).

When Clinton proposed the formation of the G22, it was just as the Asian financial crisis had engulfed Thailand and Indonesia and was about to infect South Korea. There was thus general support among G7 countries to follow such leadership. The subsequent South Korean crisis in December appeared to justify this instinct (Kirton 2000). Yet as liberal-institutionalist theory would predict, there was also widespread concern, within the U.S. Treasury and among other G7 members, about to whom the new body would report, what its mandate and membership would be, and how its work would relate to that of the other established international institutions with longstanding mandates and analytic and implementing capacity. These concerns led to initiatives to create a more institutionalised and permanent body, initially known as GX, that would have a defined role vis-à-vis the established institutions and the new forums then being negotiated, such as the IMFC.

The Financial Stability Forum, February 1999

A subsequent step toward a crisis-driven broadening of G7 governance in finance came in Bonn on 22 February 1999, when the G7 finance ministers created the Financial Stability Forum (Porter 2000). The FSF was based on a formula composed by German central bank governor Hans Tietmeyer. Its purpose is to 'promote information exchange and co-ordination among the national authorities, international institutions and international regulatory or experts' groupings with responsibilities for questions of international financial stability' (Financial Stability Forum [FSF] 1999). Its initial membership consisted of representatives from the finance ministries and central banks and leading supervisors of each of the G7 countries, along with the chairs of the international supervisory organisations and representatives of international financial institutions.

The FSF first met at the IMF in Washington on 14 April 1999. At the Cologne Summit in June 1999, G7 leaders decided to expand the group beyond G7 member countries to include the systemically important emerging economies. Thus Hong Kong, Singapore, Australia, and the Netherlands were added as participants for the FSF's subsequent meeting in Paris on 15 September 1999.

The G20

The new G20 forum of finance ministers and central bank governors was created by the Cologne G7 Summit on 18 June as part of the birth of a trilogy of new international institutions. In their communiqué (G7 1999a) the G7 leaders first disavowed the need for new institutions and affirmed the central role of the IMF and World Bank. Then, they welcomed:

- the establishment of the new Financial Stability Forum to enhance international co-operation and co-ordination in the area of financial market supervision and regulation;
- the strengthening and reform of the governance structures of the International Financial Institutions (IFIs), by *inter alia* giving permanent standing to the IMF's Interim Committee as the 'International Financial and Monetary Committee' [*sic*] and by further improving IMF surveillance and programs; and
- the commitment to work together with the IMF and the World Bank to establish an informal mechanism for dialogue among systemically important countries, within the framework of the Bretton Woods institutional system.

The G20, chaired for its first two years by Canadian finance minister Paul Martin, was formally created at the meeting of the G7 finance ministers on 25 September 1999. It was established as 'a new mechanism for informal dialogue in the framework of the Bretton Woods institutional system, to broaden the dialogue on key economic and financial policy issues among systemically significant economies and promote cooperation to achieve stable and sustainable world economic growth that benefits all' (G7 1999b). At its first meeting in Berlin in December 1999, the G7 finance ministers were to invite 'counterparts from a number of systemically important countries from regions around the world to launch this new group', as well as representatives of the EU, IMF, and World Bank.

As outlined by Martin, the G20's mandate is to 'promote discussion and study and review policy issues among industrialized countries and emerging markets with a view to promoting international financial stability' (Kirton 1999b). Its initial 19 country members consisted of the G7 plus Argentina, Australia, Brazil, China, India, Mexico, Russia, Saudi Arabia, South Africa, South Korea, and Turkey. Canada would host the second meeting in 2000. The chair would rotate among participants after two-year terms, with the initial chairs being chosen from among the G7 countries.

The Origins of the G20

The G20 was in the first instance a U.S.-led initiative, in accordance with classic realist models of benign hegemony in international regime formation and American leadership in G7 co-operation (Keohane 1984, Cohn 2000, Putnam and Bayne 1987). As with the creation of the earlier G22, the process of forming the G20 was one in which the U.S. effectively initiated the proposal, created the momentum, set the agenda, and had a leading but by no means complete role in choosing the members.

In doing so, the U.S. was inspired by several forces. Larry Summers, first as U.S. Deputy Secretary and then as full Treasury Secretary after Robert Rubin's resignation following the Cologne Summit, along with some Treasury officials sought to create a compact group of systemically significant countries that would take what was agreed by the G7 and legitimise it internationally. In the wake of the 1997–99 global financial crisis and the strong congressional, specialist, and public criticism that the IMF received in response, including calls for its abolition or a dramatic narrowing of its a mandate, the U.S. Treasury came to view the IMF, with its large powerful staff, as a technocratic body that as a result resisted U.S. proposals for rapid, U.S.-conceived but badly needed reform. The Treasury team tended to regard the IMF Interim Committee as a forum where the agenda was already set by IMF staff, with all issues already resolved by prior consultation and ministers thus relegated to the minor role of delivering prepared statements. In creating the G20, the U.S. players in part sought to escape such institutionalised constraints.

Yet U.S. frustration and leadership did not alone account for the creation of the G20 or predominantly determine the shape of the body that emerged. For the G20, from its conception as the GX to its September birth, was the product of distinctive perspectives and approaches among G7 members and an ensuing process of bargaining and genuine mutual adjustment. The Canadians were used to channelling U.S. impulses into constructive, collective, and institutionalised directions, and had their own vision of how best to reform the international financial system, dating from the G7 Summit they had hosted at Halifax in 1995. Thus, the Canadians were from an early stage very supportive. They pushed the proposal forward enthusiastically, and sought to have their own finance minister appointed as the first chair of the new group.

Apart from the advantages brought by procuring the prominence and prerogatives of chair, the Canadians were propelled by several factors. At the APEC leaders meeting in Vancouver, where the G22 was born, the Canadians had shared the concerns of their U.S. Treasury counterparts about how the G22 would fit in with the broader array of existing and newer institutions already at work. As skilled and dedicated shapers of international institutions, they had asked about the reporting mechanism for the G22 and from where it would derive its mandate and legitimacy, as well as how much credibility it would have given that its membership and operations were so clearly defined by what could be ever-changeable political preferences in Washington. They had thus sought to transform the G22 into a successor body that would be less subject to Washington politics, and thus have greater stability, added value, effectiveness, and credibility.

The British, the Germans, and the Japanese joined the Americans and the Canadians in being the most enthusiastic advocates among the G7 for the creation of the new group. Britain, however, although supportive, was concerned that the G20 not diminish in practice the prominence of the new IMFC, of which Britain's finance minister Gordon Brown was the first chair. This helped lead to an early British emphasis on a narrowly focused agenda for the G20.

The French, supported by the Italians, resisted the creation of the G20. They feared that it would undermine the authority of the IMF, then headed by their compatriot Michel Camdessus, and the IMFC they preferred as the central new forum. France eventually acquiesced in the formation of the G20 but still pushed for the creation of a new council of ministers at the heart of the IMF. To secure such a forum, they wished to turn the Interim Committee into a council.

Throughout 1999, the French continued to push for the Interim Committee to be further strengthened and given more powers and profile. For example, they sought ministerial working groups of the IMFC to deal with specific issues such as transparency. Under this concept, five to six ministers would meet two to four times per year and report back to the full IMFC on options. This could be done, on issues such as the development and implementation of standards, for decisions needed at the ministerial level. As 1999 ended, the acceptance of these proposals remained possible, although they had not yet been officially endorsed.

As with the G7 itself in 1975, the G20 was thus partly the result of a Franco-American accommodation, with the remaining G7 members lined up somewhat predictably on each side. These coalitions played into the selection of Paul Martin as the first chair. Most G7 members could see that the new body would look too much like a U.S. creature if, as with the G22 and Willard Group, the U.S. treasury secretary chaired it or if the first meeting was held in the U.S. Thus the U.S. canvassed other G7 countries for their candidates for a chair. Some suggested Gordon Brown, chair of the IMF's Interim Committee. This was a body that the G7 ministers said they were not in competition with and whose legitimacy as a consultative, advisory, and potential decision-making committee of the IMF they did not want to detract from.

At the same time, the creation of the G20 was the result of an epistemically grounded converging view among G7 members and some outsiders on the need for a balanced and representative institution at the ministerial level that remained small enough to foster an open dialogue on global economic and financial issues and thereby generate consensus on major outstanding issues. The 1998–89 work of the G22 and the two G33 'officials' seminars, when juxtaposed against the cascading global financial crisis that was devastating emerging markets at that time, suggested to many the need for a more potent and effective forum. It further suggested that such a forum's work be focussed on reducing vulnerability to crisis by creating appropriate exchange rate arrangements, liability management, and international codes and standards, as it became increasingly clear to many inside and outside the G7 that weakness in those areas had created and compounded the crisis.

The Selection of the Membership

The selection of the members for the new group was again initially led by the U.S., although to a lesser extent than with the G22 two years before. The G7 Communiqué had specified the G20 would consist of those that were a 'systemically important country', or a 'key emerging market'. Members were further expected to have a different viewpoint than that of the most industrialised countries and serve as representatives of the various geographic regions.

The most obvious candidate was China. Regarding the others, there was much discussion about membership. Some lists excluded Australia, Korea, Turkey, and Saudi Arabia. In the case of Saudi Arabia, its provision of ample funding proved decisive in the end. In the case of Turkey, the overall strategy of linking it more firmly to the West, of which G20 membership was one important component, proved persuasive. Here the calculation was that a move was needed, given the precarious probability of EU membership for Turkey, and that a G20 association would help further lock in Turkey to the 'West' and deepen the democratic tradition in the country. Its inclusion paved the way for significant new IMF financial support for Turkey.

There were many questions initially about Indonesia as a suitable candidate for G20 membership. Despite its acknowledged capability, even with a crisis-devastated economy, in the categories of GDP and population, it was a country rife with corruption, seen as being in danger of falling apart. But it could thus be viewed as requiring further incentives for democratisation — in the form of prospective future G20 membership for demonstrated performance in the move toward democracy. In the end, one of two initially unfilled country positions was reserved for Indonesia. Its membership would be awarded once its stable democratic transition was completed and current G7 concerns about its political and human rights abuses were addressed.

Other Asian countries also claimed a place. Malaysia's claim was rejected, in part due to its imposition of capital controls, its broad attack on globalisation during the 1997–99 financial crisis, its attachment to Asian values and the regional Asian Monetary Fund (AMF), and its recent treatment of its well-regarded finance minister and the lack of respect for the rule of law revealed by this treatment.

Another Asian claimant was Thailand. Its case received considerable sympathy from Canada, which had provided Thailand with exceptional financial support during the crisis in the spring of 1998 (Kirton 2000). Some G7 members felt that Thailand's inclusion was warranted by its size and its rejection of currency controls during and after the crisis, and by the need the for presence of another Asian country, especially a member of the Association of South-East Asian Nations (ASEAN), to reduce the Eurocentricity of the prospective G20 and old centres of governance such as the G10. In the end, however, capability as well as democratic governance and neoliberal economic policy mattered. Thailand was left out because it was too small.

A victory for the European members of the G7 came with the admission of the EU and the ECB — the only regional organisations admitted to the G20 club. The EU's existing place in the regime nest of the G7 and its defensive positionalist determination made it difficult to deny its claim. This was despite U.S. impatience, evident here and in the initial discussions at the IMF over the future reform of quota share arrangements, with the apparent Eurocentricity of so many economic governance arrangements as the emerging, Asia-Pacific–centred global economy of the twenty-first century dawned.

After the EU was allowed in, the U.S. drew the line, insisting on no more Europeans. The Europeans had wanted the EU's Council of Ministers to participate, as they do at the G7. The Dutch, Belgians, and Spaniards pressed their claim, as they did with the G7 in 1975 and subsequently. The U.S. refused. With this success in the G20, the U.S. then turned to the task of reducing the weight of the Europeans in the IMF and its Executive Board by reconfiguring the quotas to reflect the new weight of developing countries. This move came at the expense of France, Britain, and Italy, and favoured Japan, Korea, and China, as well as Germany.

The Institutional Design

The G20 was designed as a deliberative body rather than a decisional one, but a forum tailored to encourage the 'formation of consensus on international issues' (Canada 1999a). Moreover, it was one with a policy focus, given its mandate to promote international financial stability. Most importantly, while its G7-specified subject area was the domain of finance, and while early analysts have seen it in this frame (Porter 2000), its first chair, Paul Martin, suggested a very comprehensive and ambitious mission for the new body, whose substantive core represented a major revision of the neoliberal orthodoxy with which other institutions were so strongly associated. Martin, who took a strong personal interest in designing and developing the new forum, and brought to this task a strategic vision, announced at the outset that the G20 would 'focus on translating the benefits of globalization into higher incomes and better opportunities everywhere', including working people around the world (Beattle 1999). The distributional and broad political ideals were clear, as the stable and sustainable world growth the new forum was to foster was to benefit all.

Furthermore, Martin saw the G20 concentrating on longer term policy rather than immediate issues. Overall, he envisaged a flexible and comprehensive mandate. Indeed, skilfully employing the prerogatives of chair, he declared at the outset: 'There is virtually no major aspect of the global economy or international financial system that will be outside of the group's purview' (Canada 1999b). Across both time and policy space, then, the G20 was conceived from the start to be major source of political-level strategic leadership, rather than a technically oriented, limited, issue-specific forum. This ambitious concept was enriched with a more specific expression eight months later when Martin stated:

'It has a mandate to explore virtually every area of international finance and the potential to deal with some of the most visible and troubling aspects of today's integrated world economy — including the devastating effects of financial crises, the growing gap between rich and poor, and a system of governance that has not kept pace with the sweeping changes taking place in the global economy' (Canada 2000b). Indeed, as the first G20 ministerial hosted in Canada approached, Martin declared that the time had come for the G20 to 'tackle the broader problems associated with globalization'.

The G20's relationship with other bodies also suggested a robust role for the new institution. It would operate within the framework of the Bretton Woods institutions, involve their representatives (including the chairs of the Interim and Development Committees) and the EU fully in its substantive discussions, in order to ensure that its work was 'well integrated'. It would 'help co-ordinate the activities of other international groups and organizations, such as the Financial Stability Forum', 'facilitate deliberations' in the IMFC, and potentially develop 'common positions on complex issues ... to expedite decisionmaking in other fora' (Canada 1999a).

Its potential importance was further suggested by its institutional characteristics. These included the firm control of the chair by the G7, a two-year rotational cycle for the chair, the linking of its meetings to those of the G7 meetings at the start of each year, the presence of a deputies process to prepare for and support the meetings, the ability to call on the resources of the IMF, World Bank, and outside experts, and the ability to 'form working parties to examine and make recommendations on issues related to its mandate' (Kirton 1999b).

Martin's early emphasis showed the major effort under way to have the new institution develop into a very influential forum. The Canadians initially considered the possibility of holding the second ministerial meeting in Toronto in June 2000, a mere six months after the first, despite fears that this could detract from the lead-up to the G7 finance ministers meeting and G7/8 Summit in Japan in July. The Canadians hoped that the timing and location would better enable the new group, whose conclusions could be recorded in a Chair's Statement, to influence the G7/8 meeting itself.

One Canadian concern at the outset was to have an inclusive, regionally balanced forum replete with differing perspectives, and thus avoid having the body re-create and become victim to traditional divisions, including those on a geographically regional or older north-south divide. Canada preferred to keep the group focussed on sharing experiences and open discussion, rather than on the statement of hard, often inherited positions. Its instinct thus differed from the views of some, such as another newly included finance minister, who saw the G20 as an excellent opportunity for the 'South' to press its issues against the 'North'.

Although there was some scepticism about this potentially G7-dominated body, the non-G7 members took it seriously and gave it a good chance to succeed. In this, they were led by the largest and most difficult country — non-democratic China. China proved ready to join the new group, in part due to the G7's and Martin's desire to use it to promote better supervisory and self regulation-arrangements. Moreover, China's sheer weight, given this attitude, was important in ensuring that the G20 could become a form for meaningful reciprocal influence across the G7/non-G7 divide, as it was clear that China would deal from a position of strength in the new G20.

There were, however, questions as to whether China alone could make this fledgling group much more than a G7-led legitimisation club. Some saw the G20 as part of the crisis-bred 'G7-isation' of the world, with the G20 born to make G7 initiatives palatable to the wider world by securing a broader consensus for G7-generated ideas. In this view, the G20's 11 non-G7 member states were destined to affect issues merely at the margin, to be informed of G7 initiatives, and to be given some semblance of participation. Here, the G20 underscored the fact that the G7 did not want to leave the reform of the international financial system to the IMF or the World Bank, where developing countries had an institutionalised, longstanding role and the capacity of a large and well-equipped secretariat to call upon. A more optimistic projection arose from China's reluctance to occupy a position merely as a full member of other developing country groupings. Its position could thus help prevent the G20 from becoming a new north-south dialogue, or a collection of small, dependent, neoliberal countries echoing the views of a U.S.-led, unified G7.

The G20 in Operation

Vancouver, November 1999

The first phase of the G20's actual operation came with the initial preparatory meeting of its deputies in Vancouver, Canada, in November 1999. This meeting was designed to determine the rules of the game, for ministerial adjustment and approval the following month in Berlin, and to have the new body sustain, rationalise, legitimate, and globalise what was neglected in the G7.

There was general agreement on several basic points. The G20 should focus on an efficient exchange of ideas on the key issues of finance, build consensus on these ideas, and demonstrate leadership by example. The group's finance ministers and central bankers would deal with selected economic issues and not broader ones, as the G7 did. There would be one ministerial meeting per year and two deputies meetings. The World Bank and the IMF would provide input for the G20's work. The emphasis was on that fact that the G20 was not a decision-making forum, would work on a confidential basis, and would have no secretariat and no working groups.

Beyond these basics, however, there was a substantial difference of opinion on what the substantive agenda, and by implication the ambition, of the G20 should be. The IMF led one tendency, arguing that in order to add value to a system already replete with institutions, the G20 should focus on difficult issues where the IMF's own Executive Board had not been able to agree. These were such issues as capital account liberalisation, orderly and well-sequenced liberalisation, private-sector involvement, and Contingent Credit Line (CCL) reform. Such an agenda would ensure the body was used and would eliminate any excuse for it to avoid hard decisions.

The alternative position, led by Canada, secured consensus from the group. This was to start somewhat gently, by focussing on central issues where there already was a substantial measure of existing, emerging, or prospective agreement from all those within the group. This set included some complex and controversial issues, such as appropriate exchange rate regimes and private-sector involvement. The Canadians were particularly firm on their preferred approach, arguing it was needed to build momentum for, and comfort and confidence in, the new body.

Session two of the deputies session, taking place in the afternoon, took up the issues of exchange rates, capital account, and financial-sector debt management. Little new ground was broken, relative to earlier discussions at bodies such as the G7, the IMF Executive Board, and the OECD.

Session three dealt with the role of the international community. The IMF argued that the CCL should be examined by the G20, with a view to securing a G7-G20 agreement on its reform. Similar processes were recommended for collective action clauses for modifying bonds (where a joint public-private sector working group was suggested) and on debt standstill. These ideas were not adopted.

Although nothing controversial or radical emerged from the deputies meetings, there were a number of important procedural decisions taken. These discussions would serve as the agenda for the ministers in Berlin. At that meeting, there would be no communiqué and therefore no drafting session; there would only be a relatively informal chairman’s concluding statement. And, in accordance with the call of the Canadian chair, the G20 ministers would start with the issues on which there was some reasonable prospect of securing an effective consensus.

Berlin, December 2000

Thus the topics, issues, and documentation for Berlin were taken almost entirely from the experience of other international institutions. Once again, the IMF-led coalition asked the G20 to deal with issues where there was no consensus in the Executive Board, the IMFC, or the international community, and the Canadians countered that the G20 should start with the issues on which there was minimum agreement in order to build momentum. In a display of effective policy leadership, the Canadians, with the support of Germany and the U.S., drove the process in favour of this latter approach. It was one, notably, that was antithetical to any earlier notion that the G20 would be a forum for the rapid legitimisation of U.S.-bred new ideas for IMF and international financial system reform. In keeping with Canadian desires, the G20’s agenda thus focussed on exchange rate arrangements, financial-sector regulation, and supervision and prudential liability management. These were, in Martin’s judgement, ‘all areas of architectural reform in which national governments working collectively have become increasingly prepared to take the steps required to reduce vulnerabilities to crises’ (Canada 2000a).

In a display of broadly shared intellectual and technical leadership, the documentation for the Berlin meeting was prepared by the Canadians and Germans, and only to a lesser extent the U.S. The meeting, which was designed to be informal, would issue a one-page chairman’s statement and serve as a round table, to ‘get to know you’, set the rules of the game, and identify the purpose of the group.

The G20 ministerial started in the evening and proceeded for the following full day. It dealt with standard broad topics and featured an open floor. Martin encouraged ministers to chime in, ask questions, and share their point of view. In its discussions of macroeconomic forces and prospects, the discussions tended to be thematic, focussing on areas where the global economy as a whole was vulnerable, rather than on the situation in or performance of individual countries.

There was some reading of prepared statements from emerging countries. But most participants on the whole were happy with the informal discussion, even if it repeated the dialogue at other forums. The ministerial thus featured free-flowing discussion, as the Canadian chair had hoped, even if the conclusions were familiar. The fact that the meeting was held in Europe made it more difficult for the European members to speak as anything other than good Europeans with a single European voice. This fact reinforced the reluctance of some non-European members to add more European claimants to the club.

The G20 ended by creating no working groups or requesting any work from other international institutions. More contentious issues, as raised in a public call by Larry Summers for reform of the IMF on the eve of the meeting, were discussed a little as part of the dialogue on 'vulnerabilities' in the international system. But the Summers proposal was by no means the central focus, and most discussion of it took place in the corridors. It was clear that the U.S. would not enjoy disproportionate influence in setting the G20 agenda.

The meeting did show some signs of the challenges involved, and registered some small successes in, bridging the potential north-south or established-versus-emerging economy divide. On issues such as codes, an 'Anglo-Saxon'/German project, Canada and the U.S. saw the Turks and others as agreeing to their preferred approach, as these others sat in the room and seemed to agree, in contrast to the hesitancy they had expressed in the IMFC and IMF Executive Board.

The developing countries, however, saw the dynamics in a somewhat different light. They viewed the meeting as a way to learn and to exchange views rather than as a negotiation out of which decisions would come. They continued to insist that more work needed to be done on major issues. They thus set clear limits to any co-optation and buy-in for the G7-led program.

The G20 ministerial in itself did not immediately and clearly change any minds on the part of resistant emerging economies about the issues of transparency, codes, and governance, which the three English-speaking countries (the U.S., UK, and Canada) regarded as the core bases of the new international financial architecture. Following the meeting, China and Brazil continued to express deep concerns about IMF programs and, along with Mexico and Argentina, about strong conditions imposed from an external source. Arrayed against them still stood the three 'Anglo' countries, Germany, and to a lesser extent Japan. They wanted clear codes adopted by all countries.

Yet there were concrete signs of initial institutional effectiveness. Most notably, all G20 countries agreed to ask the IMF and the World Bank to examine how their national financial rules measure up to international standards and how those rules might be strengthened. With appropriate follow-up this could indeed represent 'an important breakthrough in the establishment of generally accepted principles of global governance' (Canada 2000b).

Hong Kong, March 2000

The G20 deputies met again in Hong Kong in March to review the results of the Berlin ministerial and to begin preparations for the next ministerial, to be held in Montreal on 24–25 October 2000. The deputies met just prior to the meeting of the IMFC deputies preparing for the IMF-World Bank spring ministerial, with its first ever IMFC meeting, in mid-April 2000. The G20 deputies proved to be pleased with the results of Berlin. Their consensus led the Canadians to adopt a more ambitious approach to their meeting in Montreal.

Washington, April 2000

Canadian ambitions were further fuelled by the experience of the G20's major competitor organisation, the IMFC, at the latter's inaugural outing in Washington in April. The IMFC meeting did show several promising signs that it would develop as an effective forum. Under the decisive leadership of Gordon Brown, the IMFC moved through an ambitious agenda, including controversial items such as Highly Indebted Poor Country (HIPC) debt relief (for which Uganda, with its recent purchase of a prime ministerial Gulfstream jet, stood as the test case). The discussion was sufficiently spontaneous that the ministerial discussions produced several meaningful changes in the draft Communiqué prepared by the deputies and IMF officials. Perhaps the most consequential point was the placement of a strong statement on the continuing and central role of the IMF at the front of the Communiqué. This was in direct response to the thousands of protesters who had assembled on the streets of Washington in an effort to draw attention to the IMF's alleged defects and to prevent the IMFC meeting from taking place at all, which had been the goal of some. The changes in the Communiqué were supervised by Brown himself, with other ministers, but none of the regular officials, allowed in the drafting room.

At the same time, there were few signs that the IMFC would develop the momentum required to surpass the G20 as the central forum for broader global governance. The IMFC agenda was largely confined to traditionally finance-centred subjects. It failed to solve the impasse over HIPC created by the Ugandan case. The meeting chaired by Brown was fairly stilted, with many members making prepared remarks. In the view of some, he tended to be very directional and end discussion prematurely. Due to the demonstrators, a few consequential figures, notably France's new finance minister Laurent Fabius, failed to make it to the meeting, leaving France to be represented by its more experienced central bank governor Jean-Claude Trichet.

Conclusion: The Future G20

As it moved beyond its first-year anniversary, the G20 showed signs that it could well develop as the effective, broad centre of governance for the global community for the twenty-first century. The G20 included the systemically important countries of the future, as had the G7 before the Mexico meltdown of 20 December 1994 ended the twentieth century in the finance field. Moreover, although the membership of the two competing bodies — the G20 and IMFC — substantially overlapped, there were important differences. The 24-member IMFC contained, as country members, Belgium, Denmark, the Netherlands, Switzerland, Algeria, the United Arab Emirates, Gabon, and Thailand. It was a collection that was modest in its aggregate gross national product or other capabilities, and heavily weighted toward Europe, the Middle East and Africa, as befitting the IMF's origins in 1944 and adjustment in the wake of the 1973 oil shocks. The G20, in contrast, contained Korea and Turkey. This gave it an advantage not only in collective predominance within the system, constricted participation and reduced transaction costs, but also in average weight (equality among members within the group), geographic balance, and strategic location. Given current and projected growth rates, such as Korea's 9 percent growth in 1999, it was clear that the G20 would be the weightier institution by far five to ten years hence.

There was, moreover, a difference in the formula of representation. The IMFC's constituency model gave it the advantage in global representation, if indirectly, whereas the G20 led in the freedom for the major emerging economies to act as individual actors, rather than representing the consensus views of the constituency below. At the IMFC, Turkey was cast in with a constituency represented by a continental European middle power. Brazil, Argentina, and Mexico each represented several other Latin American countries. The G20 detached these countries from these other influences. Together with the more constricted participation, this made the G20 a forum for more flexible and free-wheeling discussion and consensus formation than the IMFC.

The venerable, charter-created, and -bound IMFC did wield two additional advantages. One came in the sphere of formal legitimacy. As part of the IMF's organisation, the IMFC was accountable to the whole world and could draw on the IMF's extensive organisational resources. The G20, by contrast, was accountable to itself and informally to its G7 parent, and mobilised the national resources of its chair and members for the effective implementation of its consensus. Secondly, with Gordon Brown as chair of the IMFC, and Horst Kohler as the new Managing Director of the IMF, it was unlikely that their respective institutions would defer easily to the G20's leadership on the vast agenda they shared.

In other respects, the two major contending bodies were largely equal. In both, the effort to secure acceptance for the new codes and practices of transparency and surveillance showed a clear case of the G7 at work, with the G20 and IMFC serving as legitimating bodies as the G22 had before. Yet, as more difficult issues emerged, the flexibility, smaller size, and individual country freedom of the G20 suggested that this body would be able to provide a more timely and balanced result.

The prospects for the G20 depend on the ability of its current custodians to realise the ambitious goals they are actively contemplating. Those prospects also depend on the G20's chair finding the winning answers to a series of complex questions, and thus minimise the tradeoffs in the underlying representativeness/effectiveness/leadership trilemma that the new institution faces.

One challenge is the G20's ability to supersede older consultative groups, such as the G10, while resisting any temptation to add any of its Eurocentric members to a globally balanced G20 that already contains the four European G7 members and the EU. The *pro forma* nature of the G10 meeting in Washington in April 2000 suggests that the G10 could easily be terminated, its agenda folded into that of the G20, and its European members such as Switzerland left outside or represented through innovative arrangements through the EU.

A second challenge is to maintain the still-constricted size, global reach, geographic balance, and weight of the G20 by adding new members very selectively. Canada, still in the chair, for example, retains some sympathy for adding Thailand. It has similar sympathy for its bilateral free-trade partner and G20 claimant Chile, whose case is strengthened by the presence of Argentina and Brazil in the group. Yet, any additions of these or other members raise broader questions about the overall architecture of global governance.

Part of the architectural issue is the addition of other regional international institutions alongside the EU as members, in the context of a new global-governance arrangement. Such an approach would constitute a compact means for adding new voices, giving the G20 much more extensive, even near universal representation, while further diluting the remaining Eurocentricity of the group.

A further challenge, already accepted by Paul Martin (Canada 2000b), is to increase representativeness downward, by finding a formula for effective civil society participation. This process could begin with having the chair, or the G20 collectively, meet with civil society organisations in a separate forum on the eve of the October meeting in Montreal. Canada's experience in hosting APEC, with its Business Forum, could provide some useful experience in this respect. Such a move would stand in contrast to the IMFC, where civil society representatives in Washington in April were left entirely on the outside.

It remains to be seen how and when the G20 might move to meet at the leaders level (see Chapter 13). Doing so would give the G20 a decisive advantage over the IMFC, given the unlikelihood of that body ever involving heads of government and state in any council arrangement. It would also give the G20 all the advantages that political control brings. The G20 could respond to some of the same dynamics that led G5 ministers meeting in the Library Group since 1973 to help foster the birth of the G7 itself, when some of their finance minister participants became leaders themselves. It would be possible for this graduation of the G20 to take place rapidly, beginning perhaps with a call from the ministers in October for leaders to hold a 'Summit of the Twenty'.[3]

Such a summit would require an agenda, ambition, and achievement worthy of leaders, who already live in a summit-crowded world. It must be an agenda much broader than the finance and related economic domain, and one with a novelty and magnitude worthy of leaders' time and appropriate for the potential founding of a new institutionalised leaders forum. The issue of the overall coherence in global governance constitutes such a focus. Here, G20 leaders could address the question of what the architecture should be for coherent global governance in the twenty-first century. This would include coherence in the international and financial institutions, ways to make a co-ordinated assault on poverty reduction, and, as Paul Martin has recognised, the need to reform the IMF and World Bank together with, and in ways that would enable them to co-operate better with, the agencies of the United Nations and the World Trade Organization (Canada 2000a). It would embrace ways to forge a meaningful and balanced trade-environment regime, perhaps through the birth of a new world environmental organisation; it would answer the need for new global governance institutions to cope with the information technology revolution and competition policy in a globalised market. It would continue the program begun by Canada at the last G7 Summit it hosted, in Halifax in 1995. It would also move the world beyond the 'accountants' views of coherence — the wasteful duplication arising from the IMF and World Bank performing the same functions — to embrace the larger questions of whether the world needs new institutions to meet the many new challenges that the twenty-first century brings.

Notes

1 The author thanks Tony Porter and numerous officials in G20 member governments and international organisations for their assistance in providing information, insights, and comments on an earlier draft of this chapter. The information and interpretation contained herein remain the sole responsibility of the author.

2 The G10 is made up of the G7 finance ministers plus others (see Table 9.1).

3 Central to the G7 system of global governance is its character as a leaders-driven, top-down forum, in which subordinate ministerial and official bodies come after or remain subordinate to the leaders' forum itself (Bayne 2000). The G20, in contrast, was born at the ministerial and hence political level, but as a mid-level institution able to expand both upward and downward. Moreover, the G20, unlike some G7-incubated bodies, was created as a laterally broad institution from the start.

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