Breaking the Stalemate of Global Governance Reform

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Outline

- Introduction
- Changes in the global context
- The need for global governance reform
- Key challenges and opportunities
- IMF reform
- G8 summit reform
- Conclusion
Changes in the global context

- Changing demographic and economic balances
- Growing global interdependency
  - trade, capital, energy, environment, health, migration, drugs, security
- Growing links among issues
- Growing risks
  - financial imbalances, energy security, global warming, epidemics
- Increased need for effective global institutions
The need for global governance reform

- Global institutions: not functioning well
  - UN, UN agencies, IFIs, Summits
  - Fragmented, unrepresentative, ineffective, outdated

- Stalemate on many issues
  - Doha trade round, financial imbalances, global warming, epidemics, etc.

- Stalemate on reform of individual agencies (UN, IFIs, environment, energy, health agencies)
  - no or slow progress
Key challenges of global governance reform

- Include major actors
- Give voice to the small countries
- Create effective institutions
  - consolidate, harmonize
  - responsive to changing global needs
  - accountable and transparent
  - show results
- Give opportunity for leadership
Opportunities 2007/2008

- **UN**
  - High-level panel for UN reform November 2006
  - New Secretary General at UN

- **IFIs**
  - IMF reform 2006-2008
  - High-level panel on IMF/WB cooperation 2007
  - High-level panel on IMF financing 2007

- **G8**
  - Elections 2007/8 in Europe/US/Russia
IMF reform – progress in the works, but..

- IMF needed for surveillance, crisis management
- Some movement last 18 months
  - Singapore 2006 (China, Korea, Mexico, Turkey shares)
  - Key role of G20
- Key areas – now (2007/8)
  - rebalance shares/votes for big emerging economies
  - restore “basic” shares/votes for small countries
  - restore financial viability
  - strengthen surveillance
- Need to ensure that progress is made in these areas by 2008, but others also deserve attention…
...more IMF reform will be needed

- Key additional areas
  - increase quotas substantially
  - consolidate chairs
  - merit-based selection of leader
  - strengthen focus on core mandates

- But: Europeans will “loose” as a group
  - this may lead to stalemate, therefore:

- A “grand bargain” may be needed
  - Merit-based selection of WB president (US)
  - Abandon veto (US & Europe)
  - De-link IMF and World Bank shares/chairs reform (borrowing countries)
The G8 Summit – need for reform at the apex

- G7 founded in 1978, as summit forum for Western industrial economies to deal with economic imbalances among them; Russia joined G8 in 1997
- G8 focus increasingly on global economic and political issues, less on internal coordination issues of the group → global steering group, but:
  - increasingly formalized and lacking impact
    - Doha trade round, energy security, climate change, MDGs, reform of international institutions
  - increasingly unrepresentative of global population and economic weights
  - some movement under German Presidency (G8+O5)
  - but clearly insufficient to push global reform agenda
- Need for summit reform – an effective apex forum
An Alternative Summit Model: The G20

- G20 of finance ministers was formed by G7 finance ministers in 1999 after Asia/Russia crisis to address global financial issues.
- G20 has developed into a representative and effective forum:
  - geographically and culturally diverse
  - broadly representative of global population distribution, economic weights and geographically
  - emerging market economies fully engaged; China chair of G20 in 2005, South Africa in 2007
  - but with limited functional scope
- Moving from G8 to G20 summit would be a pragmatic and effective step
What are the most likely options?

Various options could be next step:

1. Incremental 1: add China to G8 → G9
2. Incremental 2: add Brazil, China, India, Mexico, South Africa → G13
3. Incremental 3: G20 (summit)
4. Variable Geometry: GN+X
5. The ECOSOC Leaders’ Forum
In conclusion: moving towards a new “global order”

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<td>Single Model of Anglo-Saxon Capitalism</td>
<td>Diverse Models of Market Economy</td>
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Annex: G20 Member Countries

Canada
France
Germany
Italy
Japan
Russia
United Kingdom
United States
EU Presidency (when not G-7/8) and European Commission
Argentina
Australia
Brazil
China
India
Indonesia
Korea
Mexico
Saudi-Arabia
South Africa
Turkey