

# The G8 in a changing global economic order

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It is worth asking at the very outset why the Group of Eight (G8) should be singled out for special attention within a study of power and rules in the changing global economic order, and whether in fact this is appropriate. Although the G8 owes its origins to an initial meeting of a small number of heads of state or government of the leading post-industrial democracies held more than 30 years ago in 1975, and thus has been part of the furniture of global politics for a long time, it would probably not have been given this level of attention in such an analysis even as recently as 2004 or 2005. Indeed, for a long period the received wisdom about the G8 asserted that the institution was in essence no more than a regular summit of political leaders who gathered briefly to make bold promises that they generally did not fulfil. It was always noted, of course, that they governed some of the most powerful countries of the world, but that was not generally deemed to be enough to generate extended political analysis of the G8's activities (with the notable exception of a specialist group of followers at the University of Toronto in Canada, who have worked tirelessly on this very subject).<sup>1</sup>

Lately, however, the G8 has attracted much more interest and scrutiny. In part, this is because it has been presented as a decisive institution in global affairs by many of its critics within global civil society. In a process beginning at the G8 summit held in Birmingham in England in 1998 and reaching a climax at the Gleneagles summit in Scotland in 2005, when rock stars Bono and Bob Geldof led the 'Make Poverty History' campaign demanding that G8 leaders radically reshape their countries' existing policies on trade, aid and debt, it has become the norm for each annual summit to be preceded by the organization of pressure from civil society to push the G8 to lead the world in a different direction. By its nature this mode of politics tends very much to exaggerate the power of the G8, almost to the point of caricature, such that at the time of Gleneagles the watching global public was encouraged to believe that the G8 could make poverty history, if it so chose, more or less as a matter of political will. To say the least, such an argument

<sup>1</sup> For many years now a very active and dedicated team of scholars at the University of Toronto have run a research project directly focused on the G8. They have not only assembled in one location much of the relevant documentation associated with the G8 but also produced many of the best studies of the institution. See their extensive website at <http://www.g7.utoronto.ca>.

hugely oversimplified the real politics involved in approaching, let alone realizing, such an ambition.<sup>2</sup>

Some of the new focus of attention on the G8 is therefore misplaced. But there is another sense in which it is entirely merited, and this relates to the issue of governance. We have come to realize that the new global political economy is not operating totally anarchically; it *is* actually being governed, however unsatisfactory that process may be from various normative points of view. ‘Governance’ is here used in the sense proposed by James Rosenau to mean the operation of ‘spheres of authority ... at all levels of human activity ... that amount to systems of rule in which goals are pursued through the exercise of control’.<sup>3</sup> To describe this as ‘global governance’, which is the shorthand phrase most widely used for capturing this process at the global level, is to make the activity seem more purposeful and institutionalized than is actually the case. For, in reality, the governance of the contemporary global political economy has been revealed to be a patchy, messy and to some extent murky set of activities, spread across a range of institutional settings and involving a very wide range of public and private actors.<sup>4</sup> States are manifestly only some of the key actors that need to be considered if we are even to come close to seeing the full picture. Nevertheless, within this wider, and deliberately looser, contextual understanding of what constitutes the governance of the contemporary global order, it is scarcely surprising that regular meetings of the political leaders of eight of the most powerful states have come to find a prominent place in that process, especially when it is apparent that popular demand has in recent years forced the meetings to address all of the major current global issues.

There is, in addition, another important reason for focusing on the G8 at the present time. Since around 2005 the widespread sense that the global economic order is in the midst of a major structural change characterized by the rise of new centres of power—a shift which several other articles in this special issue pick up and endeavour to tease out—has set in motion a significant new debate about what the G8 is for, whether it is properly constituted in its present form and, if not, in what direction and with what purpose it might be reformed. This article seeks above all to explore that debate and thus will examine in particular recent moves by the G8 to reach out to five other countries within what is officially described as the ‘G8 + 5’ process. It necessarily begins, however, by saying something about the origins of the G8 and the institution’s broad evolution over the first three decades of its existence.

<sup>2</sup> See Anthony Payne, ‘Blair, Brown and the Gleneagles agenda: making poverty history, or confronting the global politics of unequal development?’, *International Affairs* 82: 5, 2006, pp. 917–35.

<sup>3</sup> James N. Rosenau, *Along the domestic-foreign frontier: exploring governance in a turbulent world* (Cambridge: Cambridge University Press, 1997), p. 145.

<sup>4</sup> The literature here is now vast. For overviews, see James N. Rosenau, ‘Governance in the twenty-first century’, *Global Governance* 1: 1, 1995, pp. 13–43; Craig N. Murphy, ‘Global governance: poorly done and poorly understood’, *International Affairs* 76: 4, 2000, pp. 789–803; and Anthony Payne, ‘The study of governance in a global political economy’, in Nicola Phillips, ed., *Globalizing international political economy* (Basingstoke: Palgrave Macmillan, 2005), pp. 55–81.

## Emerging role

As suggested, the G8 has rather crept up upon our consciousness. It began in a highly informal, somewhat ad hoc manner when in March 1973 the United States Secretary of the Treasury, George Schultz, invited his counterparts from France, West Germany and the United Kingdom to meet with him to discuss instability in the international monetary system. They gathered in the library of the White House in Washington DC. The Japanese finance minister invited the four ministers to join him in a follow-up meeting later in the year, thereby inserting his country into the process and regularizing the so-called 'Library Group'. The French and German representatives, Valéry Giscard d'Estaing and Helmut Schmidt respectively, subsequently went on to become the leaders of their countries and decided to call a full summit of the existing 'G5' countries, plus Italy, at Rambouillet in France in 1975. They were joined by Canada at the 1976 meeting in San Juan, Puerto Rico, in a move deliberately designed by the United States to offset the perceived European bias of the membership. The institution was thus initially configured as a G7 and emerged as much from a hunch as from a blueprint.

The origins of the G7 shaped the nature of the body that it went on to become. The definitive account of this early history, written by Robert Putnam and Nicholas Bayne under the auspices of the G8 group at the University of Toronto, identified three aspects of the international system of the mid-1970s that encouraged the founding of the summit process. These were: the decline of US hegemony and the resulting need for trilateralist (North American, European and Japanese) management of the western interest; the growth of interdependence among the major post-industrial democracies; and the emergence of a sense of unease about the increasing role played by bureaucracies in responding to problems and a consequent desire to assert political leadership and political solutions.<sup>5</sup> There is no doubt that these were important factors in setting the context in which the G7 was born, but they do not tell the whole story. Putnam and Bayne's account (like most of the subsequent analysis of the G7/8 process produced by the Toronto school) was couched in a liberal institutionalist reading of international relations that, as such readings often do, missed some of the more power-oriented politics at work. The key initiative leading to the establishment of the G7 was that undertaken by Schultz. It emanated from the sense of crisis felt by the US administration in relation to the financial turbulence caused by the breakdown of the Bretton Woods fixed exchange rate system and its unwillingness to discuss this critical issue within the body previously designated for this purpose, namely the Group of Ten (G10), the (actually eleven) countries which were the original participants in the so-called 'general arrangements to borrow' agreed within the International Monetary Fund in 1961.<sup>6</sup> From the US perspective this grouping was far too Eurocentric, in that it included Belgium, the Netherlands, Sweden and Switzerland in addition to the

<sup>5</sup> Robert D. Putnam and Nicholas Bayne, *Hanging together: cooperation and conflict in the seven-power summits* (London: Sage, 1987), p. 14.

<sup>6</sup> See Ethan Kapstein, *Governing the global economy: international finance and the state* (Cambridge, MA: Harvard University Press, 1994).

countries that later became G7 members. The United States kept the dollar off the G10's agenda, especially following its devaluation in 1971, and determined to look for an alternative forum in which to conduct discussions concerning the structure of the international monetary system.<sup>7</sup> As Andrew Baker has put it in a hard-headed and persuasive discussion of these events, 'the G7 was primarily US inspired, motivated by a belief that the G7 would better enable the US to pursue its objectives than the existing G10'.<sup>8</sup>

Since those early days the summit has met every year, usually some time between May and July, for two or three days; each country acts as host and takes the chair in an agreed order. In the period since 1976 membership of the G7 has been modified only twice, once quite early and once relatively recently. The European Community was invited to attend (in the person of the President of the European Commission) in 1977, but this did not represent the addition of a new state. Russia is the one other country that has formally been admitted, albeit after a long and awkward apprenticeship.<sup>9</sup> In response to the momentous political changes taking place in the Soviet Union in the late 1980s and into the early 1990s, its leader was asked to take part in a post-summit dialogue with the G7 from 1991 onwards. However, it was not until the G7 heads of government meeting held in Kananaskis in Canada in 2002 that a way was eventually found to offer Russia full rights of membership, including responsibility for taking its turn to host the annual summit. The G7 thus properly became the G8 the following year. Even then, the decision to admit Russia did not solve the substantive issue. Russia was neither a proven democracy nor one of the world's most powerful post-industrial economies. It has also had, to put it mildly, a highly distinctive modern history, and was admitted into the G7 club of states only as a diplomatic tactic by which to finesse the ending of the Cold War. As a result of all these idiosyncratic features, it does not sit at all comfortably alongside the other countries in the grouping and it has to be said that Russia's membership is, potentially, a serious flaw in the constitution of the G8.

In general, the G7/8's record over the period of its existence has been mixed—unavoidably so, given the scale and complexity of the problems it has had to try to address. All analysts have noted 'a rise-fall-rise-fall again cycle of policy co-ordination' over the various phases into which they have tended to group the summits.<sup>10</sup> Nicholas Bayne, who has emerged as the doyen of summit-watchers, has even gone to the lengths of 'grading' the meetings for content and achievement on a scale from A to E.<sup>11</sup> He makes no judgement about the rights or wrongs of policy; it is merely the extent of international coordination of policy achieved that he has sought to assess, however impressionistically. It is also clear

<sup>7</sup> See Harold James, *International monetary co-operation since Bretton Woods* (New York, NY: Oxford University Press, 1996).

<sup>8</sup> Andrew Baker, *The Group of Seven: finance ministries, central banks and global financial governance* (London: Routledge, 2006), p. 250.

<sup>9</sup> See Hugo Dobson, *The Group of 7/8* (London: Routledge, 2007), pp. 46–7.

<sup>10</sup> Baker, *The Group of Seven*, p. 13.

<sup>11</sup> See Nicholas Bayne, *Hanging in there: the G7 and G8 summit in maturity and renewal* (Aldershot: Ashgate, 2000), and *Staying together: the G8 confronts the 21st century* (Aldershot: Ashgate, 2005).

from reviewing the record of meetings that the agenda discussed by the leaders has widened considerably over time. The leaders have consistently discussed the macroeconomic management of the world economy, international trade, financial matters and aid. But they have over time broadened their remit to include micro-economic issues (such as employment and information technology), transnational issues (such as the environment, crime and drugs) and a host of security issues (such as arms control, terrorism and human rights). The style of the summits has also altered. Having initially been conceptualized as private, informal gatherings of 'those who really matter in the world'—which was the reported comment of Helmut Schmidt in 1975<sup>12</sup>—they have come to be prepared more meticulously, with representatives of the leaders, known as 'shepas', in constant contact throughout the year and working with many others towards the satisfactory evolution of the annual communiqué.

There is no point in this short article seeking to highlight particular successes or failures amid the myriad agendas of many meetings. There is simply too much to cover. But what can be usefully appraised at this point is an interpretation of the G7/8 that has grown in confidence and popularity as the institution itself has matured and broadened the range of its activities. This also brings us directly to the existential question of what actually the G8 is as a phenomenon in global politics.

## **Existential nature**

The newly fashionable and much-cited reading is that the G8 now represents 'prospectively the effective center ... of global governance'.<sup>13</sup> The words are those of John Kirton of the University of Toronto. Although of course a lot of weight can be attached to his cautious use of the word 'prospectively', Kirton has drawn attention in a plethora of publications and presentations to the fact that the G8 network has expanded to embrace meetings of foreign, finance, trade, justice, environment, home, employment, energy and education ministers, as well as ad hoc meetings, task forces and working groups to address pressing issues.<sup>14</sup> These ministerial gatherings are inevitably backed up by associated meetings of officials, thereby adding to a growing sense that a system of rule may be emerging in and around the annual summit of leaders. In Kirton's view, this means that the bold commitments publicly made at such meetings are perhaps less likely to be forgotten than was once the case, precisely because the institutional machinery to monitor their implementation has slowly been built up and made to work.

<sup>12</sup> Cited in Putnam and Bayne, *Hanging together*, p. 29.

<sup>13</sup> John J. Kirton, 'Explaining G8 effectiveness', in Michael R. Hodges, John J. Kirton and Joseph P. Daniels, *The G8's role in the new millennium* (Aldershot: Ashgate, 1999), p. 46.

<sup>14</sup> See, among a vast number of contributions most of which are highlighted on the G7 website, John J. Kirton, Joseph P. Daniels and Andreas Freytag, eds, *Guiding global order: G8 governance in the twenty-first century* (Aldershot: Ashgate, 2001); John J. Kirton and Junichi Takase, eds, *New directions in global political governance: the G8 and international order in the twenty-first century* (Aldershot: Ashgate, 2002); and Michele Fratianni, John J. Kirton, Alan M. Rugman and Paolo Savona, eds, *New perspectives on global governance: why America needs the G8* (Aldershot: Ashgate, 2005).

As indicated earlier, this reading draws very much upon liberal institutional thinking in international relations, with all its attendant implications and biases. Yet other writers too, from different theoretical starting points, have also commented on the new centrality of the G8 in global affairs. For example, from a critical or neo-Gramscian perspective Robert Cox highlighted its role in the vital 'transnational process of consensus formation among the official caretakers of the global economy';<sup>15</sup> and Stephen Gill referred to the existence of a G7/8 'nexus' newly sitting at the apex of an ongoing process of neo-liberal elite management of the world order.<sup>16</sup>

These views point in much the same direction and can unquestionably be considered more appropriate after 30 years or more of expanding and ever more complex G8 activity than the associated claim made by some at the outset that the G7 was in fact consciously designed to fulfil such a role in a new era of interdependence. As has been said previously, the whole G8 system has developed in a largely unplanned and perhaps unexpected way. Even so, it is still necessary to fit US power into this Toronto-based analysis, which is not something that is always done with sufficient clarity and firmness. For example, Alison Bailin framed her recently published account of the workings of the G8 as demonstrating a shift from 'traditional' to 'group hegemony'.<sup>17</sup> She argued that the chaos and instability predicted by hegemonic stability theory when a traditional hegemonic state like the United States loses the capacity to maintain an open and functioning world order have been avoided because the G7/8 began to exert a new form of group hegemony at exactly the right moment. But does this capture accurately what one really wants to say about the continuing effect of US power over the last three decades? Baker has argued, by contrast, that 'during the first two decades of its existence', the G7 operated in the main as 'a vehicle for providing support and endorsement for US-generated initiatives and ideas',<sup>18</sup> and he has certainly provided chapter and verse in abundance to substantiate this claim in respect of financial policy-making. This takes the story, so to speak, to 1995. Thereafter his view is that US interests have remained 'at the fore' within the G7 (and have achieved accordingly a number of key victories on policy issues that especially affected the United States), but also that, over time, 'these appear to have been progressively constrained by market, intellectual and institutional developments' that have 'on occasion' forced the United States to 'modify and temper its position'.<sup>19</sup>

Baker's research focused exclusively on the sphere of global financial governance, but it seems highly plausible that his insights apply to other fields to if they to finance, an arena traditionally associated with the exercise of US hegemony. What is more, his analysis can be blended with aspects of the Kirton interpretative line in

<sup>15</sup> Robert W. Cox, 'Global *perestroika*', in Robert W. Cox, with Timothy J. Sinclair, *Approaches to world order* (Cambridge: Cambridge University Press), p. 301.

<sup>16</sup> Stephen Gill, 'Political economy and structural change: globalizing elites in the emerging world order', in Y. Sakamoto, ed., *Global transformations* (New York, NY: United Nations University Press, 1994), pp. 169–99.

<sup>17</sup> Alison Bailin, *From traditional to group hegemony: the G7, the liberal economic order and the core-periphery gap* (Aldershot: Ashgate, 2005).

<sup>18</sup> Baker, *The Group of Seven*, p. 27.

<sup>19</sup> Baker, *The Group of Seven*, pp. 29, 237.

that it explains why lesser G8 powers, like Canada and the United Kingdom, have at several moments displayed effective intellectual and political leadership within the institution and have thus genuinely shaped some debates and policies. It is not difficult to see that mutual appreciation of the complex realities of interdependence within a G8 forum might well open up political space for some degree of collective decision-making. However, as Baker has also rightly noted, 'acknowledging the opportunities that arise from a collegiate and technical mode of operation is not the same thing as saying that the G7 represents a modern international concert of powers with each member enjoying an effective equality of capability'.<sup>20</sup> In some of his work Kirton has gone so far as to make this claim,<sup>21</sup> and it is surely exaggerated. By the same token, those analysts who see little more in the G8 than yet another mechanism of US power and dominance also exaggerate.<sup>22</sup> The evidence in fact supports a middle position. The G8 is more than a mere symbol of power, but less than an actually powerful institution that routinely takes and carries into practice major decisions of global significance. What it does best is play an overarching role in relation to other, more formal, institutions of 'global governance', seeking to coordinate, legitimize, prioritize and steer the actions of the leading states in relation both to each other and to the global institutions. As and when it does this, it constitutes an effective and necessary 'plate-spinner', to use Hugo Dobson's perceptive analogy.<sup>23</sup> The phrase is deployed here in a complimentary, rather than derogatory, tone. It is surely better that plates are kept spinning than that they are dropped or, worse, deliberately smashed. Governance is thus the right conceptual framework within which to think about the G8, albeit with the added proviso that due weight should also be given to the continuing force of state-based political power.

## **New challenges**

I referred earlier to the catalytic effect that the recent perceived shift in the distribution of state power within the global political economy has lately had upon the debate about the G8, and it is to this question that I now turn. There is, however, an immediate analytical problem to be faced, which is that nobody yet understands fully the changes through which we are living. This is hardly surprising; indeed, it is typical of eras in which the 'old' patterns have unravelled and the 'new' ones have still not taken decisive shape. In the meantime, a mass of new acronyms fly around our ears as attempts are made to capture the essence of the transformation that most analysts think they can sense but cannot so easily pin down. Goldman Sachs, one of the world's largest global investment banks, was first off the block in 2003 in drawing attention to what it called the BRICs—four countries (Brazil,

<sup>20</sup> Baker, *The Group of Seven*, p. 235.

<sup>21</sup> Kirton first made this claim in an unpublished conference paper delivered to the annual conference of the International Studies Association in 1989 and largely repeated it in a chapter entitled 'Consensus and coherence in G7 financial governance', published in Michele Fratianni, Paolo Savona and John J. Kirton, eds, *Governing global finance* (Aldershot: Ashgate, 2002).

<sup>22</sup> Peter Gowan, *The global gamble: Washington's Faustian bid for global dominance* (London: Verso, 1999).

<sup>23</sup> Dobson, *The Group of 7/8*, p. xvii.

Russia, India and China) that were deemed likely to be the most dynamic new centres of global economic growth in the period running up to 2050.<sup>24</sup> From a more political perspective such a grouping appeared from the outset to gather together an uncomfortable constellation of countries. Their various foreign policy options were helpfully reviewed in a special issue of this journal in 2006 that quickly reached the conclusion that the BRICs were ‘an extremely disparate group of states’.<sup>25</sup> Some have therefore reacted by giving attention primarily to China and India—CHINDIA, even—as the ‘only real BRICs in the wall’.<sup>26</sup> Some good academic research is certainly being undertaken on these lines, notably the exploration of the new ‘Asian drivers’ of the global economy being conducted within the Institute of Development Studies at the University of Sussex.<sup>27</sup> Others have preferred to widen the net beyond these two countries to include South Africa, thus enabling discussion of the CISA states (China, India and South Africa) as ‘a “Southern” subset’ of the BRICs.<sup>28</sup> The United Nations University has put Brazil back into this mix and has called an international conference in mid-2008 to examine the role being played by the CIBS countries (China, India, Brazil and South Africa) as ‘Southern engines of global growth’. Others still have broadened their focus further, discerning a BRICSAM grouping composed of Brazil, Russia, China, India, South Africa, the countries belonging to the Association of South-East Asian Nations (ASEAN) and Mexico. These have been described as ‘the large-population and rapidly growing’ economies.<sup>29</sup> More writers—too many even to cite examples—talk in a similar fashion about ‘emerging economies’, but without apparently feeling the slightest need to establish from what they are supposedly emerging or at what point they began visibly to emerge, or indeed what it means to emerge.

At this point in the debate and in time it is best to say: enough is enough (for now). The whole business of categorizing countries is inevitably controversial and always irredeemably political.<sup>30</sup> It is especially so in a period of flux when new frameworks of power and new relationships are being forged. It is better for the moment to accept that we are located ‘amidst times’ and that the power shift that is apparently under way remains fluid and difficult to posit with precision. We can, however, discern with greater clarity the two broad problems for the continuing working of the G8 to which this inchoate set of changes has given rise. They

<sup>24</sup> Dominic Wilson and Roopa Purushothaman, ‘Dreaming with BRICs: the path to 2050’, Global Economic Paper 99, Goldman Sachs, Oct. 2003, <http://www.gs.com/insight/research/reports/99.pdf>, accessed 15 Dec. 2008.

<sup>25</sup> Andrew Hurrell, ‘Hegemony, liberalism and global order: what space for would-be great powers?’, *International Affairs* 82: 1, 2006, p. 18.

<sup>26</sup> J. Lloyd and A. Turkeltaub, ‘India and China are the only real Brics in the wall’, *Financial Times*, 4 Oct. 2006, p. 17.

<sup>27</sup> See the various articles in Raphael Kaplinsky, ed., ‘Asian drivers: opportunities and threats’, *Institute for Development Studies Bulletin* 37: 1, 2006.

<sup>28</sup> Timothy M. Shaw, Andrew F. Cooper and Agata Antkiewicz, ‘Global and/or regional development at the start of the 21st century? China, India and (South) Africa’, *Third World Quarterly* 28: 7, 2007, p. 1256.

<sup>29</sup> Agata Antkiewicz and John Whalley, ‘BRICSAM and the non-WTO’, Centre for International Governance Innovation working paper 3, Oct. 2005, p. 1.

<sup>30</sup> See Anthony Payne, *The global politics of unequal development* (Basingstoke: Palgrave Macmillan, 2005), pp. 49–72.

have generally been summarized as problems of legitimacy, on the one hand, and efficiency, on the other.<sup>31</sup>

The legitimacy issue is obviously longstanding, dating back to the moment of the G8's creation. Membership was begun by self-selection and expanded by invitation. It was not representative of, say, different regions or different types of country, however conceived and formulated, and it certainly was not elected from or by the full body of sovereign states meeting in their entirety. In these respects the G8 has always been easy to contrast with the universalistic multilateralism of the United Nations system. By its very nature, therefore, the G8 cannot but fall foul of the three tests of the political legitimacy of any international organization or set of international arrangements recently set by Injoo Sohn. These are:

- 1 inclusiveness, understood as 'wider and more meaningful participation of the members of a relevant group in the decisionmaking process';
- 2 rule-governance, referring to 'policymaking and implementation through a transparent, specific and agreed-upon rule or process that has been agreed on to interpret such a rule'; and
- 3 fair return, defined as 'the equitable sharing of costs and benefits in cooperative efforts' across all those expected to comply.<sup>32</sup>

Against such criteria the G8 is squarely exposed as a club of elite countries. As we have seen, it has tried to offset some of its perceived illegitimacy by in effect proclaiming the superiority of its member states' commitment to democracy: hence the awkwardness generated by the admission of Russia and its recent retreat into 'managed democracy'. But the fact that admission has not been offered to all, or even some, other firmly democratic states suggests that the argument here is somewhat spurious. There is, in short, no escape from the fact that the G8's greatest weakness as an agency of 'global governance' is its lack of legitimacy. That said, of course, the existence of a 'democratic deficit' at the heart of the G8 is not new and is scarcely exacerbated by the rise of other powerful states that are also not included.

The efficiency issue is, however, a newer question. As Andrew F. Cooper has argued, the ingredient that has lately transformed these longstanding tensions about legitimacy into a more substantive and more urgent challenge has been 'the increased inability of the G8 to be effective on an issue-specific basis'.<sup>33</sup> This is not to imply a conviction that the G8 was previously always effective, because the historical record, summarized above, manifestly shows that it was not. But it does raise the question of whether or not the G8 has begun to lose some of its former ability to shape events and respond to crises, especially in the arena of global financial and macroeconomic management, precisely because it does not include within its remit the various 'rising' countries that the 'BRICs/CHINDIA/CISA/CIBS' debate draw explicitly to our attention. For example, Thomas Fues has recently

<sup>31</sup> See Andrew F. Cooper, 'The logic of the B(R)ICSAM model for G8 reform', Centre for International Governance Innovation policy brief 1, May 2007, p. 4.

<sup>32</sup> Injoo Sohn, 'Asian financial cooperation: the problem of legitimacy in global financial governance', *Global Governance* 1: 4, 2005, pp. 487–504.

<sup>33</sup> Cooper, 'The logic of the B(R)ICSAM model for G8 reform', p. 4.

written of the ‘impending dysfunctionality’ of the G8, noting that in recent years ‘the Western industrialized nations have been challenged by developing countries which hitherto have not been perceived as competitors’ and suggesting that they ‘can no longer lay claim to sole leadership of the world economy’.<sup>34</sup> The many and various claims about which economies will overtake other, formerly leading, economies, at what point in time and on what criteria of measurement, kick in at this point and thereafter carry the argument forward. Overall, though, the point is a fair one. One does not have to be able to chart the exact current level of the economic power of particular countries to see that the notion of ‘systemic importance’ (of which country matters enough to the system’s functioning to be noticed and treated differently) has been significantly broadened over the last 10–15 years. A strong case can therefore be made that certain key global issues can no longer be as efficiently managed by the G8 countries operating on their own as was generally the case in the 1970s and 1980s. Cooper has aptly described this as an emerging ‘governance gap’ that now works in parallel with the longer-standing ‘democratic deficit’ to undermine the credibility of the G8.<sup>35</sup>

## Reform initiatives

As might be expected, the G8 countries have not been unresponsive to the challenges posed by the changing dynamics of the world order. The outbreak of severe financial difficulties in Asia in 1997 was the critical moment, because it prompted the United States to call into being a series of ad hoc meetings of finance ministers and officials, including representatives of some of the big ‘emerging economies’ directly involved in what was a genuine economic and political crisis, in an explicit attempt to chart a more broadly based response to the situation. The benefits of such a response were obvious, and in September 1999 the G7 finance ministers formalized the new arrangements by announcing the formation of a new Group of 20 (G20). In addition to the G7 countries and representatives of the European Union, the World Bank and the International Monetary Fund, the countries invited to join—‘under the watchful eye of the USA’, as Susanne Soederberg put it<sup>36</sup>—were Argentina, Australia, Brazil, China, India, Mexico, Russia, Saudi Arabia, South Africa, South Korea and Turkey. In a further demonstration of the vetting operation at work here, Indonesia was subsequently added once the situation regarding Timor-Leste’s independence was considered to have been sufficiently resolved. By contrast, Malaysia was excluded, even though it had participated in some of the informal pre-G20 meetings convened in Washington DC; this may have been a consequence of the arrest of its finance minister in connection with an alleged scandal, although some felt that it was being punished for having flirted briefly with controls on the outflow of capital from its economy during the Asian

<sup>34</sup> Thomas Fues, ‘Global governance beyond the G8: reform prospects for the summit architecture’, *Internationale Politik und Gesellschaft* 2, 2007, pp. 13, 11.

<sup>35</sup> Cooper, ‘The logic of the B(R)ICSAM model for G8 reform’, p. 4.

<sup>36</sup> Susanne Soederberg, ‘On the contradictions of the *New* International Financial Architecture: another Procrustean bed for emerging markets?’, *Third World Quarterly* 23: 4, 2002, p. 613.

financial crisis.<sup>37</sup> The core concept underpinning G20 membership was the very notion of 'systemic importance', which in this context was a polite way of referring to countries whose financial problems, as and when they occurred, had the potential to become problems for the system as a whole. As Soederberg again was quick to point out, 'the key objective of this inter-state initiative was to integrate emerging market economies more fully and flexibly into the world economy' and its main management mechanisms; it was 'not an attempt to shift the balance of power between the developing and developed world but to strengthen the existing system through collective surveillance'.<sup>38</sup>

Nevertheless, the establishment of the G20 should not be dismissed as insignificant. It did constitute an extension of international decision-making about financial matters beyond the G7 countries, with its member states representing some 87 per cent of the world's gross domestic product and some 65 per cent of its population—much higher figures, obviously, than the equivalents for the G8 countries alone. It has now met (at the level of finance ministers and central bank governors) on several occasions, with the chairmanship rotating thus far between Canada, India, Mexico, Germany, China, Australia and South Africa. Its remit has broadened somewhat over the period of its existence to include energy, raw materials and aid, as well as core financial matters, although without at any time ruffling the feathers of the G7 finance ministers, either in respect of the stances it has taken up or the policy initiatives it has endorsed. It is also important to note what else has not happened, namely, that the G20 has not developed into a full summit process, despite the fact such a prospect was assiduously promoted by the then Canadian prime minister, Paul Martin, during his term of office. He had been the G20's first chairman between 1999 and 2001 and had formed the view that a Leaders' 20 (L20) summit, drawn from the same countries, would constitute a valuable addition to, and potential reframing of, the G8 process, capable of establishing a broader and more effective base around which to rebuild 'global governance' after the Asian financial crisis. He encouraged academic research into the L20 idea<sup>39</sup> and tried hard to organize a meeting to consider the initiative on the sidelines of the UN Millennium Review Summit in New York in September 2005, only to meet implacable opposition from US President George Bush.<sup>40</sup> Martin lost power shortly afterwards and the heat has largely gone out of the L20 proposal since. In effect, there had emerged no global crisis sudden enough or dramatic enough to generate the necessary political support for such a 'big bang' reform of the G8 system.<sup>41</sup>

The more relevant reform initiative has in fact been generated by the G8 leaders themselves, albeit operating initially in their individual capacities as hosts of the

<sup>37</sup> Susanne Soederberg, 'The emperor's new suit: the New International Financial Architecture as a reinvention of the Washington Consensus', *Global Governance* 7: 4, 2001, p. 462.

<sup>38</sup> Soederberg, 'On the contradictions of the New International Financial Architecture', p. 614.

<sup>39</sup> See John English, Ramesh Thakur and Andrew F. Cooper, eds, *Reforming from the top: a Leaders' 20 summit* (Tokyo: United Nations University Press, 2005).

<sup>40</sup> Andrew F. Cooper and Kelly Jackson, 'Regaining legitimacy: the G8 and the "Heiligendamm process"', *International Insights* (Canadian Institute of International Affairs) 4: 10, 2007, pp. 1–4.

<sup>41</sup> See Dries Lesage, 'Globalisation, multipolarity and the L20 as an alternative to the G8', *Global Society* 21: 3, 2007, pp. 343–61.

annual summits. This is the process that has come to be known as 'outreach'. It was started by the French President, Jacques Chirac, who declared in advance of the 2003 Evian summit that, if the G8 was to take enlightened decisions about the management of global affairs, it needed to 'hear from those that represent a growing proportion of international economic activity or population'.<sup>42</sup> Accordingly, he took it upon himself to invite the political leaders of Algeria, Brazil, China, Egypt, India, Malaysia, Mexico, Nigeria, Saudi Arabia, Senegal and South Africa to join the traditional G8 membership at the opening session of the summit to discuss the themes of growth and cooperation. Chirac considered his innovation to have been a success and was openly critical of the US administration when, at the 2004 gathering at Sea Island (situated off the coast of the US state of Georgia), it did not follow suit, scrambling instead and at the last moment to bring along a group of Middle Eastern leaders. He declared in a press briefing: 'We cannot discuss major economic issues nowadays without discussing these issues with China, with India, Brazil, South Africa ... That is exactly what I tried to do in Evian last year, by establishing an enlarged dialogue to establish a link between these leaders and set in train a habit that we should have of working with them.'<sup>43</sup>

The British prime minister, Tony Blair, offered his variant on 'expanding the dialogue' at the Gleneagles meeting in 2005 by inviting the leaders of Brazil, China, India, Mexico and South Africa, described in the official documentation as 'emerging economy countries', to discuss climate change with the G8 heads. His explicit political purpose was to shift the global politics of climate onto a broader post-Kyoto plane that included both the United States and the 'big new emitters' of greenhouse gases, China and India, and in good part he succeeded. It was decided at the summit to initiate a wider dialogue, dubbed the 'G8 + 5' process, on the issues of climate change, clean energy and sustainable development,<sup>44</sup> with a follow-up meeting to be held in the UK in November 2005 (which Blair himself addressed<sup>45</sup>) and a general report on the dialogue's achievements to be delivered to the Japanese government when it convened the summit in the summer of 2008.

The term 'G8 + 5' thus entered the lexicon and 'outreach' has since become the norm. Brazil, China, India, Mexico and South Africa have even been described as the 'Outreach 5' (O5), although not by themselves.<sup>46</sup> The Russian government did not want to invite them to the first summit that it hosted in St Petersburg in 2006, but ultimately fell in with the new practice, although at no point seeking to do anything serious with the wider dialogue. Similar steps have also been taken in

<sup>42</sup> Cited in Vanessa Corlazzoli and Janel Smith, 'G8 reform: expanding the dialogue', paper produced by the G8 Civil Society and Expanded Dialogue Unit of the G8 Research Group, University of Toronto, p. 13, <http://www.g7.utoronto.ca>.

<sup>43</sup> 'Press briefing by French President Jacques Chirac', 9 June 2004, in 2004 Sea Island Documents, G8 Information Centre, University of Toronto, <http://www.g7.utoronto.ca>.

<sup>44</sup> 'Climate change, energy and sustainable development', statement issued by the G8, Gleneagles 2005, <http://www.g8.gov.uk>, accessed 21 Jan. 2008.

<sup>45</sup> 'PM reflects on "blunt truth" of climate change', speech by the Prime Minister Tony Blair to the London G8 climate change conference, <http://www.number-10.gov.uk>, accessed 21 Jan. 2008.

<sup>46</sup> The term has been used, for example, by John Kirton. See his 'G8: an economic forum of the enlarged Western alliance? The record from Rambouillet 1975 through Heiligendamm 2007 to Canada 2010', paper prepared for the North American European Summer Academy, 24 July 2007, p. 16, <http://www.g7.utoronto.ca>.

other key parts of the G8 system, notably the finance ministers' forum, which has been regularly opened up to various BRICSAM members since 2004. However, the striking feature of Blair's move at Gleneagles was that it aimed to establish a permanent, and presumably carefully chosen, 'outreach' group, at least in relation to climate change, that transcended the ad hoc methodology previously adopted. Although no explanation for the choice of the five extra countries has ever been offered by Blair or the UK government, Thomas Fues has speculated about a diplomatic, as much as an economic, rationale:

There is a general consensus concerning the regional and global role of China, India and Brazil. South Africa gets the nod because of its active global governance policy ... although there are major reservations on the continent of Africa concerning South Africa's claim to a leading role. Mexico's claims are less obvious. Presumably US interests come into play here: the USA wishes to provide its neighbour with a leading position in the global hierarchy. Having said that, by virtue of its OECD [Organization of Economic Cooperation and Development] and NAFTA [North American Free Trade Association] membership Mexico is suitable for a bridging role between North and South and in addition has strategic significance as a major oil exporter.<sup>47</sup>

Other analysts have made similar points in referring to the five as 'anchor countries' capable of broadening the reach of, and thus stabilizing, 'global governance' institutions.<sup>48</sup> Blair for one has signalled his willingness to go beyond the 'outreach' concept at some not too distant point in time. In a speech to the World Economic Forum in Davos in January 2007, he suggested that 'the G8 is already well on its way to metamorphosis into G8 + 5'—which he described as 'a forum for agreement between the most powerful nations with a true modern global reach'—and added, enigmatically, that, 'sooner or later, the metamorphosis should be complete'.<sup>49</sup>

But, like Paul Martin, Blair is now out of office, and the baton of G8 'outreach' has been picked up most recently by Germany, host to the 2007 summit in Heiligendamm. Within the coalition government led by Angela Merkel, the Social Democratic Party finance minister, Peer Steinbrück, emerged as an articulate champion of urgent G8 reform, seemingly favouring the creation of a fully fledged L20.<sup>50</sup> Although he was unable to persuade his colleagues to move that far, the German government did propose a further embedding of the five 'outreach' countries within the framework of the G8, flagging up its initiative somewhat grandly as 'the Heiligendamm process'.<sup>51</sup> This scheme was adopted, with all the parties agreeing to embark on 'results-oriented discussions' to be formally reviewed at the 2009 summit. These will revolve around four themes: cross-border investment; innovation and intellectual property rights; energy and climate change; and development, especially in Africa. The OECD was invited

<sup>47</sup> Fues, 'Global governance beyond the G8', pp. 16–17.

<sup>48</sup> See John Humphrey and Dirk Messner, 'China and India as emerging global governance actors: challenges for developing and developed countries', *Institute of Development Studies Bulletin* 37: 1, 2006, pp. 107–14.

<sup>49</sup> Tony Blair, 'Speech to the World Economic Forum, Davos', 27 Jan. 2007, p. 6, <http://www.number-10.gov.uk>, accessed 4 Jan. 2008.

<sup>50</sup> See *Frankfurter Allgemeine Zeitung*, 20 Nov. 2006.

<sup>51</sup> For useful discussion, see Katharina Gnath, 'Beyond Heiligendamm: the G8 and its dialogue with emerging countries', *Internationale Politik* 8: 3, 2007, pp. 36–9.

to support the work of a 'high-level steering group' tasked with overseeing the process. Again, this is potentially significant in that it is the first time that the G8, hitherto only an informally institutionalized system, has asked a formalized multilateral body to carry out an administrative job on its behalf. In short, not only has continuing 'outreach' been secured for two more years, but it has been substantially firmed up at the same time.

It is probable, too, that Heiligendamm will not be the end point of this particular technique for 'enlarging' the G8, although that should not be interpreted to mean that the creation of a G13 is at all likely. The point is rather that the concept of 'outreach' contains difficulties. It is felt by many to carry patronizing, almost neo-colonial overtones, embodying a notion of coopting others to the top table on the basis of instrumental need rather than real equality. As Andrew Cooper scornfully asked, 'Would this core group be invited simply for breakfast or lunch on an ongoing basis?'<sup>52</sup> As already indicated, the five countries in question certainly do not think of themselves as the 'O5' and, importantly, have now themselves started meeting as a group at the time of the G8 summits. The position paper adopted at their meeting in Heiligendamm made it clear that, although willing and indeed keen to involve themselves more actively within the mechanisms of global governance, they are not prepared to become involved on any terms.<sup>53</sup> China has observed the awkward, even humiliating, way in which Russia was offered a kind of probationer status before eventually being fully admitted into the counsels of the G8 and is thought, in good part as a result of its disinclination to risk being treated in the same way, to be reluctant to be coopted singly into a G9.<sup>54</sup> In any case, it still falls foul of the G8's traditional commitment to the practice of democratic politics within its member states. India stands taller in this respect, but could hardly be admitted ahead of China. For their part, the Brazilian and South African governments remain critical of the narrowness of the G8 and yet sceptical of the prospect of full membership.<sup>55</sup> Indeed, all these countries sometimes like to fall back on emotional membership of the 'global South', especially when confronted by marked intransigence on the part of the rich world. From the other side of the equation it is not yet apparent that the next two G8 presidencies (Japan and Italy) have as much commitment to wider dialogue as the French, British and German governments showed in their turns at the helm, while the stance of the United States, always critical, is even more imponderable in the light of forthcoming change in the White House in early 2009. In sum, the politics of exploring and developing both the theory (the way it is conceptualized) and the practice (the way it actually works) of this emergent 'G8 + 5' system is likely to continue over the next few years.

<sup>52</sup> Cooper, 'The logic of the B(R)ICSAM model for G8 reform', p. 6.

<sup>53</sup> 'Joint position paper of Brazil, China, India, Mexico and South Africa participating in the G-8 summit', Heiligendamm, 8 June 2007, [http://www.pmindia.nic.in/GermanyG8\\_visit.htm](http://www.pmindia.nic.in/GermanyG8_visit.htm), accessed 5 Jan. 2008.

<sup>54</sup> See Yu Yongding, 'China's evolving global view', in English et al., eds, *Reforming from the top*, pp. 187–200.

<sup>55</sup> See Ricardo U. Sennes and Alexandre de Freitas Barbosa, 'Brazil's multiple forms of external engagement: foreign policy dilemmas', and Ian Taylor, 'South Africa: beyond the impasse of global governance', both in English et al., eds, *Reforming from the top*, pp. 201–29 and 230–59 respectively.

## **Conclusion**

As this process unfolds, it should not, however, be expected that the existential nature of the G8 system will change in some fundamental way. It is at heart a trans-governmental mechanism grounded upon the realization that the machineries of key national governments gain from cooperation in a context of interdependence. As Dries Lesage has argued, ‘the social constellation of the Western world after the Second World War, founded largely on what one might call a “Kantian political culture”, characterized by “friendship” (instead of “rivalry” or “enmity”), was conducive to the formation of the G8’.<sup>56</sup> It was brought into being in order to give western leadership to the global political economy at a time of uncertainty, and drew Russia into its activities very much in order to demonstrate and symbolize the triumph of western capitalist liberal democracy over the rival Soviet system. In that sense the G8 constitutes the club of the winners of late twentieth-century history. Some of the leaders of the current G8 states clearly recognize that global politics has moved on a long way since the settlement of 1945 (which might be said to have had its real denouement in 1989) and increasingly acknowledge the need to address that changing reality. They recognize that some other powerful countries have grown up and that it is now in the interests of the dominant countries to accommodate a limited number of these new powers (although not as many as the additional twelve countries that would have made up an L20) within the structure and norms of the contemporary governance of globalization. But, for their part, these early twenty-first-century winners will have to show that they are willing to work within the framework of western leadership, as best epitomized by the G8. In a nutshell, that is what the ‘G8 + 5’ process is testing out. Only when, and if, those tests are passed will the formation of a G13 become a politically realistic possibility. If they are not passed, for whatever reason, then we shall all have to think again.

<sup>56</sup> Dries Lesage, ‘Is the world imaginable without the G8?’, *Internationale Politik und Gesellschaft* 4, 2007, p. 111.