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A Global Answer to Global Problems

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Summary: The G-20 has helped the world's economic leaders go from simply managing crises to making long-term improvements in the international economy. Now a new leaders' forum -- call it the L-20 -- could do something similar for political problems.

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In 1995, the peso crisis struck Mexico, and Latin America seemed to teeter on the brink of economic collapse. A few years later, some of Asia's leading economies faced similar disaster. Then, in 1998, came the Russian default -- and with it, fear that the contagion would spread, and economy after economy would fall ill and roll over dead. Doomsayers talked of a global depression of a sort not seen since the 1930s.

Today, the 1990s are remembered as an era of unprecedented growth and creativity. But at the time -- as I know from my experience then as Canada's finance minister -- that growth did not seem nearly so certain. So what changed? How did we get from there to here, from a series of major economic crises to a period of relative economic calm?

Crises have their uses. They can crystallize a moment and bring into sharp relief the mistakes that have been made and what must be done to correct them. Over the last 50 years, the international community has been remarkably successful at learning these lessons and putting in place international measures that have resolved crises and brought greater prosperity, security, health, and social well-being to the world than our grandparents could have imagined.

The economic crises of the 1990s required solutions for problems specific to each of the countries involved. As governments worked through them, however, a more general problem arose that raised serious questions about the overall approach to global economic issues. Put simply, the right countries were not sitting down around the same table at the same time.

Without a proper leadership forum, finance ministers from the group of highly industrialized countries (G-7) took the lead throughout the 1990s in formulating responses to the various crises. But this group was too restricted, and unable to help set the direction for sound financial management that emerging economic powerhouses of the developing world should follow.

The International Monetary Fund (IMF) played a central role in mounting rescue operations but was not well suited to the kind of frank -- and frankly political -- talk that was needed to establish a consensus on sound policies across the North-South divide.

Lawrence Summers, then U.S. treasury secretary, was acutely aware of the problem and made various efforts during his time in office to gather the right countries together. But he had only limited success, and when I suggested we try to establish something more permanent, he was immediately receptive to the idea.

A FORUM IS BORN

The result was the G-20, a group of finance ministers and central-bank governors from what is now the G-8 and from key emerging and regional centers of economic power.[See Footnote 1] I chaired the first G-20 meeting in Berlin in 1999, and since then a different country has directed the group each year.

So far, the new body has worked remarkably well. Since that first meeting only six years ago, the G-20 countries have agreed on a set of common principles for sound domestic economic management; broadened the so-called Washington consensus on economic development to include emphasis on investment in social sectors such as health and education as necessary components of sustainable policies (this expanded set of priorities has come to be known as the Montreal consensus); agreed on strong measures to fight the financing of terrorism; and adopted the

Accord for Sustained Growth, which outlines policies to promote monetary and financial stability, enhance domestic and international competition, and empower people to participate successfully in markets.

The G-20 may seem small, but the reality is that its member countries together represent approximately 90 percent of the world's economic output, 75 percent of all trade, and 67 percent of the world's population. The group includes countries with very different levels of economic development and very different cultures, religions, and races. It is always difficult to strike the right balance between legitimacy and effectiveness, but the G-20 seems to have met this challenge better than any similar effort.

The experience of the G-20 offers several lessons. First, some decisions -- no matter how technical -- can only be made at the political level. Second, despite the many differences that exist within the group, there are also surprisingly large areas of commonality; all the countries are wrestling with similar issues and have drawn similar lessons from past failures. Third, when national decision-makers discuss issues openly and frankly, it is remarkable how much can be accomplished (never underestimate the value of peer pressure in getting to yes). The G-20 has also allowed world leaders to move from a focus on crisis management to a focus on steady improvements in international economic stability and predictability.

LET'S GET POLITICAL

It is now time to try out a similar forum for political leaders, to be known as the L-20 (the Leaders-20).

The goal of this group would be similar to that of the G-20: to establish an environment that promotes the exchange of views rather than pre-cooked briefs and speeches. On so many important questions today, answers can only be found if national capitals engage one another directly, and the best way for them to do that is if their leaders get together. The L-20 should be results-oriented, focussing on those issues on which clear political leadership is needed to move the world forward. As for membership, it is important not to let the group get bogged down over this question. Perhaps the participants for a first meeting could be drawn from the current G-20 and could then decide how best to broaden their membership in more explicitly political directions, particularly with respect to the Middle East and Africa.

The main justification for an L-20 can be expressed very simply: the boundaries between countries are growing fainter. Globalization is not a process that can be turned on and off at will. Today, successful countries work as closely with their friends around the world as they do with their neighbors next door. What happens in China or Brazil or India is of great importance to the United States and Germany and Australia. Economically, deepening interdependence is giving everyone (in developed and developing countries alike) similar stakes in open systems of international trade and investment. Politically, the international community is developing collective responses to global threats such as weapons proliferation and international terrorism. Environmentally, issues such as climate change and the growing threat to the oceans affect everyone, and the same holds true for emerging concerns such as global public health and the threat of new pandemics.

The nation-state remains the principal actor -- the principal locus of accountability -- on the international stage, but global forces require all states to adjust their frames of reference. Traditional alliances and clubs still make a lot of sense in the areas where their reach matches their ambitions. But there are other areas in which the old ways of doing business are simply not good enough, and in which agreements mean little unless they include the new centers of power in the world.

Moreover, issues today cut across traditional policy boundaries. On development, for example, the UN's Monterrey Consensus of 2002 made clear how important it is for governments to integrate into their overall agendas subjects ranging from official aid to debt relief to trade access to good governance to foreign investment. From the perspective of national governments, these subjects involve many different ministries and responsibilities, and it is hard to get everyone to work together effectively. But all of these policy clusters come together in the responsibilities of political leaders.

The recent report of the UN's High-Level Panel on Threats, Challenges, and Change picks up this theme and makes the case:

There still remains a need for a body that brings together key developed and developing countries to address the critical interlinkages between trade, finance, the environment, the handling of pandemic diseases, and economic and social development. To be effective, such a body must operate at the level of national leaders.

This is helpful advice, and the issues identified by the panel are ones that would be best addressed first by the L-20,

which could then stimulate action in more universal bodies with established charters and responsibilities. Because an atmosphere of informality is central to the success of the L-20, it could work alongside the UN and other major international institutions rather than be linked to any of them.

The need for an L-20 would not, for similar reasons, be addressed by current efforts to expand the UN Security Council to make it more representative. The Security Council, regardless of its eventual membership, will continue to be a treaty-based, decision-making authority. The L-20, on the other hand, would be a caucus of leading countries working together to build an international consensus on crosscutting economic, social, and political issues that have not yet found an appropriate place or commanded a real consensus on the agendas of bodies such as the council. The ambit of the new group would be unrestricted, in contrast to the Security Council, which focuses on issues of war and peace. In fact, the institutional interests of the L-20 would extend beyond those of any existing world body. Operating independently, the L-20 would have the freedom and flexibility to help catalyze effective international action on issues that cut across unhelpful, often outdated institutional and functional boundaries.

The L-20 would not try to displace existing multilateral institutions. On the contrary, it could provide the jolt of political energy that so many dedicated multilateralists have long called for. In the end, however, our international institutions are us -- the member states. The commitment and sense of direction needed to make sure they function can only be provided by political leaders working toward a common purpose, and that is something an L-20 could help deliver.

The new group should not spend its time monitoring institutional reform; leaders have better things to do than lose themselves in machinery issues. The group could, however, help set the pace for reform: get the substantial function right, and institutional form will follow.

For the L-20 to work properly, it must be kept as political as possible and avoid the usual pitfalls of overpreparation and underdiscussion that plague so many events on the international calendar. The group should start modestly, picking a subject or two, not raising expectations unduly, and avoiding the lengthy communiqués that exhaust governments before their leaders have even shown up for meetings.

A number of issues, in addition to the development challenge, merit consideration by the L-20. One is the need to combat terrorism in a way that respects human rights and political pluralism. Another is the inadequate state of the world's public health systems. The SARS crisis and other outbreaks have demonstrated that even a relatively minor outbreak of infectious disease has the potential to overwhelm national and global public health systems. Experts keep warning that an influenza pandemic could kill millions and that the threat of deliberate bioterrorism cannot be discounted. Leaders in the L-20 could provide the political impetus to ensure that systems at the global, regional, and national level are adequately resourced and that there is sufficient communication, cooperation, and research to bolster the world's defenses against infectious disease.

An L-20 should get political leaders doing what they alone can do -- making tough choices among competing interests and priorities. That is the moment when the values we hold become most explicit in the choices we make -- as individuals and as political communities.

There are a number of obstacles that must be overcome if the L-20 is to get up and running, but success is possible. It is certainly worth trying, since an effective new group, focused on practical issues of global importance, is something that the world very much needs. We should not wait until a new global economic, health, or security catastrophe impels its creation in an atmosphere of crisis. Rather, we should be talking now about how it can be of most use and in what circumstances we can call it together in the months or years ahead. This has been and remains my aim in my discussions with other heads of state and government.

[Footnote 1] The G-20 is made up of finance ministers and central-bank governors from the following countries: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, and the United States. The European Union is also a member, as is the managing director of the IMF, the president of the World Bank, the chairperson of the IMF's International Monetary and Financial Committee, and the chairperson of the IMF and the World Bank's Development Committee.