

# Modernizing the G8 Summit

August 18-22, 2008

Bellagio, Italy



## Meeting Report

### Introduction

The August 18-22, 2008 Bellagio conference provided an informal venue in which senior advisors and experts with varied backgrounds convened with influential researchers to evaluate the outcomes of the “L20” and “Breaking Global Deadlocks” projects. Stimulated by a series of OECD Secretariat background papers and commissioned reports, we reviewed governance problems in each of five global challenge areas - climate change/energy security, migration, food security, international financial stability and development - asking how they relate to difficulties in other sectors. We reviewed the prospects for our emerging global network of policy research institutions (GPAGNet) and discussed preparations for our October dialogue with the Italian G8 Sherpa team.

We concluded that in general, the current international institutions and arrangements were not up to the challenges and explored options, cognizant of the many impediments to reform. We proposed ways forward, including how to advance deadlocked global issues by devising win-win packages of initiatives and how to promote ideas of G8 modernization. Progress was made towards establishing a process for dialogue between our emerging global network and the government officials who prepare Leaders’ Summits.

### The Summit Process

Interesting observations included:

- The process is plagued by the lack of a common perception of problems and issues among the G8 and the G5. The G5 agenda is food security and economic development, not climate change. There is a pattern of adversarial negotiation (defending national interests and trade), and loose engagement of civil society, who feel ignored and angry, and whose priorities are dominated by Northern NGOs;
- The Anglo American concept of “Leader” is not universally shared; in Japan “elected officials” are subject to mandates - upward leadership, where the leader is told what to do. In several countries, leadership is compromised by minority status or impending end of terms – leaders cannot deliver their own countries on thorny issues:<sup>1</sup>
- The benefits of Summit “informality” can be exaggerated – the volume and contestability of knowledge, and the complexity of the intellectual and institutional challenges constrain Leaders reaching consensus. Most Leaders read prepared statements and cannot collectively create a new policy line.
- Credibility of the G8 is strained – for example the West’s double standard regarding Zimbabwe and Pakistan, and the failures to meet the Gleneagles commitments, as well as being \$21 billion in “arrears” on the UN MDG campaign;
- There are formidable constituencies in each country trying to frustrate progressive policy initiatives. Diamond’s observation was cited – civilizations collapsed because vested interests overwhelmed practical policies;

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<sup>1</sup> This point was echoed in the trade area, where it was noted it is fruitless negotiating with the US without “fast track” authority.

- The MEM in Hokkaido was handicapped by the limited time available and lack of Leaders' frank exchanges.
- The G5 may not want to join the G8 even if invited. The G5 is evolving into an independent group with its own identity and agenda.

Ideas to pursue included:

- An intensive freewheeling G8 pre-consultation with the G5, with a jointly determined agenda, focusing on substance, not logistics.
- There is a need for a forum for pre-negotiation of issues – Pascal Lamy's WTO informal seven almost succeeded in Doha. To avoid a bureaucratic Summit, Leaders could meet informally well before the Summit to set the bar for their officials.
- Establishment of a G8 Parliamentary Association, or expand GLOBE to the entire G8 agenda;<sup>2</sup>
- A future focus on reform of global institutions, promoting solutions to real problems. Consensus hinders process – need improved decision making approaches;
- A CSO consultation process modeled on a UN initiative where 8 UN Agency heads met with CSO heads, without prepared speeches.

### Multipolarity?

Interesting observations included:

- The US is constrained, bogged down in Iraq and Afghanistan; dependent on imports for its energy supplies.
- In Afghanistan, there has been no delivery on many pledging Conferences' commitments. Resolution of conflict requires bringing Iran and Russia into the dialogue and providing economic development to the tribal areas.
- We have a diversified asymmetric multipolarity;
- We have multipolarity in terms of indices of "national power" – (foreign exchange reserves, investment and trade flows). But issues are not susceptible to resolution by the Hegemon;
- We need a new concept of security, including access to energy and food supplies, climate change, financial stability and protection from disease;
- All UN activities are completely distorted and compromised by the pattern of donor driven funding and failure to fulfill publically committed support;
- Need to know the direction of change in China and changes in rules and norms, before we can know the future of institutions.

### Climate change

We reviewed the many constraints inherent in the climate change/energy security issue and machinery initiatives to improve the UNFCCC process's prospects of success. Interesting observations included:

- Climate change is an unusual problem - in diplomacy, the passage of time is usually an ally, and prudence and patience are virtues. Diplomats are not trained to act on incomplete evidence. There are many uncertainties in climate change – from forecasts of population growth and economic activity, and the emissions intensity of future economic

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<sup>2</sup> The vagaries of the Google search engine are amusing. Enter "GLOBE GLENEAGLES G8" and the surprising first entry is <http://contrag8.revolt.org/es/node/3>

activity, to the impact of CO<sub>2</sub> concentrations on climate, and the effects of changes in climate on ecosystems. Scientists will not be able to narrow the ranges of uncertainty, but the risks are very high. We are approaching the tipping point more quickly than has been forecast by the scientific community and that urgent and coordinated action both individually and collectively is required to preserve life on the planet as we know it.

- We need a global UN framework for energy security. Energy security means different things to different countries;
- The Major Economies Meeting (MEM) at Hokkaido was nothing more than the stating of national positions. It will not prove to be an effective complement to the UNFCCC process without further pre negotiations before leaders' level meetings;
- An effective "Deal" will require initiatives on improving energy efficiency, global collaborative R&D projects (of the scale of the ITER fusion project) and effective Intellectual Property provisions for technology transfer. A bigger package, enabling "wins" for everyone will include new arrangements for adaptation, against deforestation, and for financial transfers

Ideas to pursue included:

- Separate the negotiation track for emission targets (burden sharing) from the negotiations on short term collaborative international initiatives. A new policy space is required for policy coordination with a sharp focus on achieving an early peak and decline of global emissions;
- G8 leaders should emphasise the "can do" aspects of mitigation and adaptation. The starting point is a collaborative effort to increase energy efficiency in the US and China;
- G8 should initiate immediate action to develop financial and technology transfers and collaboration mechanisms to assist developing countries;
- World public opinion must be made to understand that "bitter" (tax) actions are imperative;
- Both taxes and a "cap and trade" system will be required. A global emissions trading system, apparently unrealistic today, will seem inevitable tomorrow.
- Initiate a systematic discussion of ocean-based climate change opportunities and challenges. Oceans must also be included in any discussion on food security, biodiversity and livelihoods. Address the need to generate revenue flows for the enormous mitigation and adaptation costs and ensure financial instruments and mechanisms are in place when the Kyoto Protocol expires in 2012.
- "Green" the G8 summit in Italy with agreement for ongoing "carbon neutral" future summits. This could include vehicles powered by electricity for airport transfers, purchase of CO<sub>2</sub> offset credits from a developing country project, wind powered generation for the meeting site, and assurance that the coffee served is fair trade and shade grown.

### Migration

Interesting observations included:

- Semi-truths, non-truths and political expediency plague the debate on migration. We need an holistic development approach to the issue which involves links with terrorism, human trafficking, remittances, social security financing, climate change, and loss of skills in developing countries;

- “We are all migrants.” 31% of New York residents are foreign born, and a further 30% have foreign born parents. Older migrants become anti-immigrant;
- G5 countries, themselves migration destinations, want their nationals treated better;
- The International Organization on Migration is a “weak sister”;

Ideas to pursue included:

- Start with dialogues, rather than jump to reform of institutional architecture;
- The implication for policy of the G8’s aging population should kick off discussion of the consequences of migration (contributions by immigrants to social security are more of a relief than a burden). The issue should be of particular interest to Germany, Italy, and Japan.
- Creation of codes of ethics for border/illegal migration/deportation centres;
- Re-energize the 2004 Sea Island commitment to cheaper, faster, safer remittances;
- Reexamination of the movement of health care workers.

#### Food Security (Trade Agenda/ Export bans/ Subsidies/ TRIPS)

Interesting observations included:

- The UNSG High Level Task Force on Global Food Crisis and a G8 Experts Group have been established to monitor the issue and food commitments;
- 10% of constituents dominate the political discourse on agriculture. In the US, the majority of food aid was absorbed by domestic producers, and shipping and distribution costs, using national shipping companies to haul domestically produced crops halfway around the world. The GAO reported in Fall 2007 that the US shipped far fewer tons of food aid than in 2000. In June, Congress blocked an effort to untie 25% of US food aid. Canada is the only G8 country that has committed to 100% untied food aid;
- We are watching a slow motion train wreck in process, given trends in world arable land available, soaring fertilizer costs, water stress, and the growing middle class demands for meat rather than grains;
- No chance of coherence or policy coordination;
- The FAO Summit was a failure;
- IFAD, WFP, WTO, WB, IMF, Financial Markets.

Ideas to pursue included:

- Donors should discourage assistance in commodities form (except in famine), and source locally/regionally or as close as possible;
- New regulatory schemes to discourage price volatility caused by commodities speculation;
- Resuscitate Doha by ending WTO sanctioned EU & US agricultural subsidies and import restraints;
- More collaborative investment in agriculture;
- Emergency Regional Food Banks to stockpile staples;
- Stop promoting non-Cellulosic biofuels;
- Name & shame villains;
- Strengthen or restructure the FAO and WFP
- Revisit Int’l Commodity Institutes;

## Development

Interesting observations included:

- The 2015 MDGs will not be met, except possibly for goal #6 with respect to HIV/AIDS and malaria and TB.
- The multilateral development organizations are losing their clientele. Private donors and regional cooperation are growing in importance. While four of the G5 are aid recipients they are also donors who do not impose conditions or subscribe to the Paris Declaration.
- Small local initiatives and microfinance (Mohamed Yunus) are effective;
- The ODA bureaucracy is a big obstacle;

Ideas to pursue included:

- Build an architecture that is not donor driven, e.g. the International Health Partnership;
- The G5 should be used as an executing agent in third countries in their region;
- The 0.7% target must be promoted, with due regard to private donations;
- It is key is to provide, fair trade opportunities, security and governance to the bottom billion – just as the US did in 1947 with the Marshall Plan.

## Financial Issues

Interesting observations included:

- Despite the growth of regional arrangements, the increasing power of private credit rating agencies, the growth of Sovereign Wealth Funds (SWFs) - based in non-G8 countries- and new derivative instruments, the G20 Finance Ministers do not have major system reform on its agenda. The current G20 chair is Brazil (since 2002, each G5 country has held the G20 chair);
- SWFs are a red herring- some have suffered very large losses. It is an old issue reminiscent of the Japanese buying US assets in the 1990s. Why focus on transparency of SWFs and ignore the lack of transparency of hedge funds?

Ideas to pursue included:

- Increased transparency of private credit rating agencies
- “Regulation” of Sovereign Wealth Funds
- Diversification of foreign exchange reserves
- Use of reserves beyond sterilisation
- Tie in with development architecture

## GPAGNet

- There was a consensus that future work should focus on issues and governance
- Separate discussions and inputs to the G5 should be a priority. Critical thematic areas are, of course, climate change, though the framing of the issues needs to be recalibrated to correspond with the G5 countries’ prevailing view of matters; food security; migration. Propose an agenda for next year’s Summit - to be discussed on the margins of UNGA later this month;
- Share our proposals with each individual G8 and G5 country;
- Devise a plan for future activities based on the October 13 Rome consultation
- Promote interaction with think tanks from the South;

- Organize a meeting at the OECD in Paris, including researchers and policymakers drawn from non G8 and non G5 countries;
- Focus on policymakers in the forthcoming meetings in Rio (November) and Beijing, and New Delhi in 2009.

#### Advice for the Italian Sherpa Team for the 2009 Summit

Italy, a medium size country, prefers a world run by rules and not by power. Its economy is export led, depending on an open trading system. It perceives the G8 is a sounding board and a norm setting body. Italian priorities are likely to focus on issues (environment, non-proliferation, & energy) and improve systematic accountability (of the G8 and visibility of who does what in International Organizations). It is clear that US leadership is needed for global governance breakthroughs - the new administration is an opportunity. Given recent events (Russia – Georgia), there is a call for a new Pan European security structure.

Ideas to refine for the Rome October 13 meeting:

- Outlines of win-win packages of initiatives by issue (energy, climate change, oceans, food security, migration);
- A new process of confidence building measures on nuclear non-proliferation, given lack of political will in regard to the NPT's Article VI. Perhaps concentrate on an international fuel consortium or fuel bank. Perhaps a new G8+G5 2011 commitment on terrorism;
- Summit architecture – perhaps multi-layered or variable geometry;
- Russia and energy security- given further potential Russian fuel cuts to Ukraine and Europe, perhaps a wider global discussion;
- More stringent measures of accountabilities, building on the lessons from OECD peer review processes; improve visibility of commitments;
- Summit structure to enhance accountability – perhaps a two year Presidency or an EU style troika; (note that G20 finance Ministers have an informal troika)
- A strategy to respond to the US forthcoming request for more troops for Afghanistan – devising a political more regional approach;
- Stocktaking and assessment of the Heiligendamm process - should it be expanded to other issue areas;
- Sectoral engagement with NGOs, but allowing them to organize themselves;
- A possible meeting of policy planners and experts.

