



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 - Fragmented, unrepresentative, ineffective, outdated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”

Old Order

Sovereignty
Nation-State
Non-intervention
National Interest
Assertiveness
Power Politics

- Alliances
- Fixed Coalitions
- Predominance
- Hard Power

Single Model of Anglo-Saxon
Capitalism

New Order

Reciprocity
Global Society
Inter-penetration
Common Interest
Respect
New Multilateralism

- Negotiation
- Shifting Coalitions
- Bargaining
- Soft Power

Diverse Models of Market
Economy



Annex: G20 Member Countries

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