**Summary**

This paper provides a brief history of the evolution of the Group of Seven (G7) from its origins in the aftermath of the 1971 breakdown of the Bretton Woods system of exchange rates and the oil crisis in 1973. It then discusses Russia’s participation at summits after the fall of the Berlin Wall, formally joining the group in 1997, thus becoming the Group of Eight (G8). The paper gives a concise account of the formation of the Group of Twenty (G20) finance ministers and central bank governors in the late 1990s, in the wake of financial crises in Asia and Latin America, which was elevated to a leaders’ summit forum at the outbreak of the global financial crisis in 2008. The paper wraps up with a discussion of the differences in the G8 and G20 models, concluding that the G20 process is still the best option for meeting the challenges of complex global governance issues.

**Acronyms**

- **3G** Global Governance Group
- **ASEAN** Association of Southeast Asian Nations
- **AU** African Union
- **BMENA** Afghanistan, the Broader Middle East and North Africa
- **CFG5** Centre for Global Studies
- **G5** Group of Five
- **G7** Group of Seven
- **G8** Group of Eight
- **G20** Group of Twenty
- **IMF** International Monetary Fund
- **NATO** North Atlantic Treaty Organization
- **UK** United Kingdom
- **UN** United Nations
- **US** United States

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The origins of the G7/8 can be briefly summarized.\(^1\) In the uncertain years following the 1971 collapse of the Bretton Woods system of fixed international exchange rates tied to the price of gold and the 1973 oil crisis, the need for better coordination of economic and financial policy at the highest level became evident. Finance ministers from key countries led the way (Hajnal, 2007: 11−16). On March 25, 1973, the finance ministers of Britain, France, Germany and the United States (US) met and formed the “Library Group,” named after the venue of their initial meeting — the White House Library. In September of that year, they were joined by the Japanese finance minister, and this group (subsequently known as the Group of Five [G5]) met periodically for more than a decade.\(^2\)

Following these exploratory meetings, French President Valéry Giscard d’Estaing in 1974, invited the heads of government from the United States, Britain, West Germany, Japan and Italy to a summit the next year at Rambouillet, France. In 1976, the group was expanded to seven, with the addition of Canada (seen as a North American counterbalance to the inclusion of Italy by France), and has met 36 times in total. Beginning in the early 1990s, Russia began participating in some of the sessions with G7 leaders during their summits and, at the invitation of the G7, Russia formally joined the group in 1997. The G7 thus became the G8.

The initial composition of the group clearly represented the dominant economic powers of the day, and these countries shared the additional characteristics of being democratic, largely “Atlantic-oriented” and militarily allied to the United States. The “club” was relatively small, and the heads of government knew each other reasonably well. The opportunity to talk informally (the use of first names being common) and directly to counterparts was viewed as invaluable, as was the political profile afforded by the regular summits. In retrospect, the addition of Russia now seems anomalous, but at the time, efforts were being made to encourage Russia to become a free market liberal democracy with a commitment to the international processes and norms that the G7 considered acceptable. This attempt to secure good behaviour through co-option has been only a partial success — Russia remains different from the original seven both politically and economically.\(^3\)

The G8’s working methods reflect the G7’s prior established habits of close consultation. Each head of government appoints a personal representative of the government leader, known in the trade as a “Sherpa.” This official is a critical cog in the summit machine and, to be effective, must have direct access to and the confidence of their leader. The Sherpas meet repeatedly in the run-up to a summit, to broker agenda items, communiqué language and physical arrangements; by custom the leader serving as host chair for a given year proposes the main subject matter focus for that session, as well as the meeting site. Sherpas tend to be appointed for more than one year (although the practice varies from country to country) and provide both institutional memory and a means to ensure follow-up on previous commitments.

Over the years, while the agenda has remained focused on economic and financial issues, increasingly, leaders have taken on a broader range of topics, from security matters to development to the environment. Once leaders had gathered together, they did not feel circumscribed by the agenda, but instead talked about what seemed most important to them at the time, no matter what the “precooked” communiqué might have suggested. By and large, the G8 had evolved into a comfortable “club” by the turn of the century, an established feature of the international landscape that facilitated policy coordination and guaranteed a good photo-op for leaders, which conveyed a sense of importance to their respective domestic political audiences.

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1 The literature on the G8 and the G20 has become extensive in recent years. A historical summary of G8 development can be found in The G8 System and the G20: Evolution, Role and Documentation by Peter Hajnal (2007). A useful bibliography can be found on the University of Toronto/Munk School for Global Affairs’ G20 Information Centre website (www.g20.utoronto.ca/bibli/index.html), and Canadian work on these subjects can be found at the websites of the Centre for Global Studies (CFGS) at the University of Victoria (www.globalcentres.org), the Centre for International Governance Innovation (CIGI) in Waterloo (www.cigionline.org) and the Canadian Defence and Foreign Affairs Institute in Calgary (www.cdfai.org).

2 The G5 finance ministers’ group was superseded by the G7 finance ministers’ group set up by the 1986 Tokyo G7 summit.

3 For an account of this period from the perspective of the Clinton Administration, see The Russian Hand: A Memoir of Presidential Diplomacy by Strobe Talbott (2002).
By the late 1990s, however, a series of financial crises centred largely in Latin America and Asia ¹ had convinced the G7 finance ministers that key emerging economies were insufficiently included in global economic management efforts. Finance ministers had been meeting together with their central bank governor counterparts in parallel to the G7 summits since 1986. Their mandate had been to focus on fairly technical matters related to economic and financial growth and stability, inflation and currency developments. Led by Canadian Finance Minister Paul Martin and US Treasury Secretary Lawrence Summers, discussions were expanded to include a range of new players. After four initial meetings in 1998 and 1999 involving larger groups of countries (the G22 and G33), in December 1999 a set grouping of 20 was established, consisting of the G8 along with key regional powers plus the European Union.⁵

In the years that followed, the G20 finance ministers’ group proved its worth as a way of opening up and rationalizing the international dialogue. Paul Martin, in particular, was struck by its effectiveness. Based on the experience of finance ministers and central bank governors, Martin became convinced that these countries should meet at the heads of government level. During his period as Canadian Prime Minister (2003 to 2006), he campaigned actively for the idea with his counterparts and, driven in part through a network of think tanks around the world, the approach developed currency.⁶

In the meantime, the practical disadvantages occasioned by the unrepresentative nature of G8 membership were becoming clearer. The chair of the 2005 G8 summit, United Kingdom (UK) Prime Minister Tony Blair, responded by inviting five key developing countries to the Gleneagles, Scotland, meeting — Brazil, China, India, Mexico and South Africa. The 2007 Heiligendamm Summit in Germany regularized the relationship among the “G8+5,” establishing a schedule for regular ministerial meetings among the 13 countries to cover four areas.⁷ The so-called “Heiligendamm Process” was scheduled for review at the G8 summit in 2009, but well before then, the approach of inviting the heads of government of important countries to the occasional meal during summits dominated by developed countries, had become bankrupt — and indeed insulting to developing countries and their leaders.⁸ Reflecting on the inappropriateness of dealing with these countries in this way, Paul Martin stated:

...the image of Hu Jintao, the president of China, and Manmohan Singh, the prime minister of India — leaders of the two most populous countries on earth, quite possibly destined to be the largest economies on earth within our lifetimes – waiting outside while we held our G8 meetings, coming in for lunch, and then being ushered from the room so that we could resume our discussions among ourselves, is one that stayed with me...Either the world will reform its institutions, including the G8, to embrace these new economic giants, or they will go ahead and establish their own institutions... (Martin, 2008: 358).

The Heiligendamm Process was only a transitional step in the direction of inclusiveness. It reflected the view of many leaders, including the then-new UK Prime Minister Gordon Brown and French President Nicolas Sarkozy, that expansion at the summit level was inevitable. What was lacking was the crisis that would make significant institutional change seem essential — and, in 2008, the crisis arrived.

By the fall of that year, the US economy was in free fall, triggered initially by bank failures and a housing market collapse. Stock markets around the world plunged. It quickly became apparent that the existing political and economic institutions — the International Monetary Fund (IMF), the G8, the United Nations (UN) or the G20 grouping of finance ministers — were incapable of

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⁵ The additional countries are Argentina, Australia, Brazil, China, India, Indonesia, Mexico, Saudi Arabia, South Africa, South Korea and Turkey.

⁶ In 2003, Martin had encouraged the CFGS and CIGI to combine their efforts to flesh out the concept of a leaders’ G20. Those think tanks worked with an array of international partners to produce a collection of research that addressed the many real-world obstacles and opportunities related to establish this new process. See, in particular, the CFGS website: www.120.org/ and the accounts of the research project by Peter Heap: Globalization and Summit Reform: An Experiment in International Governance (2008) and “Breaking Global Deadlocks: A Canadian Track 1.5 Success” (2009).

⁷ “Promoting and protecting innovation; enhancing freedom of investment by means of an open investment climate including strengthening the principles of corporate social responsibility; defining joint responsibilities for development focusing specifically on Africa; and joint access to know-how to improve energy efficiency and technology cooperation with the aim of contributing to reducing CO2 emissions.” See Heiligendamm Process declaration at www.g8.de/Content/EN/Artikel/___g8-summit/2007-06-08-heiligendamm-prozess__en.html. Starting in 2000, G8 hosts began to invite a variable collection of leaders from developing countries (in Africa and Asia) to meetings on the margins of the summits.

⁸ The +5 approach had the additional unwelcome consequence (from the G8 perspective) of generating what was, in essence, a new competing group — the G5 — complete with secretariat and summit schedule of its own. So much for the efficacy of half measures.
coordinating a response to the financial crisis. At the end of October 2008, just prior to the US presidential election, a lame-duck President George W. Bush called together the leaders of the G20 countries to “…review progress being made to address the current financial crisis, advance a common understanding of its causes and, in order to avoid a repetition, agree on a common set of principles for reform of the regulatory and institutional regimes for the world’s financial sectors” (Perino, 2008). A meeting of G20 finance ministers was already scheduled for November 2008; in the event, it served as a preparatory session for the subsequent meeting at the leaders’ level.9

The meetings on November 14 and 15, 2008, were not small, including, as they did, the leaders of the IMF and the World Bank, as well UN Secretary-General Ban Ki-moon and the chair of the Financial Stability Forum. In addition, Spain and the Netherlands insisted on being present and were supported in this effort by the French president, who was also president of the European Union at the time and, thus, controlled two sets of seats.

The litmus test of this first G20 summit’s success, at a time of high financial peril, was that the leaders found it sufficiently worthwhile to follow through and meet again. In London in April 2009 and Pittsburgh in September the same year, leaders subsequently hammered out a common approach, which included coordinating economic stimulus packages (and, eventually, steps to extricate themselves from them), avoiding protectionism, working to address global imbalances, tripling the financial resources of the IMF (thereby reinvigorating a moribund institution) and working out stricter rules for banks, hedge funds and other financial players. The general view is that the first three G20 summits can be counted as successes, especially when the potential alternatives are considered.10

Canadian Prime Minister Stephen Harper decided to host G8 and G20 summits back-to-back in 2010. The outcome of the Huntsville G8 and the Toronto G20 did not illuminate the respective roles of the two gatherings so much as it demonstrated the confusion over them. It could be argued that Toronto (as opposed to Huntsville), served to cement key developing countries into global decision making but, equally, a case could be made that the G20 needed more time to work through the ambitious work program set in motion at the two G20 meetings — London and Pittsburgh — held in 2009.

The Seoul G20 Summit in November 2010 was well prepared and skillfully executed. The Koreans did an excellent job in consulting with non-G20 countries and non-state actors, including the development and business communities, and civil society generally. The Seoul agenda again focused on the commitments made at previous G20 summits, and the progress made towards those commitments. The Koreans, however, also added aspects of development and global financial safety nets to the agenda and, as such, successfully added development to the G20 agenda with commitments that will require follow-up at future summits.

France is hosting both the G8 and G20 summits in 2011. The French are prudently planning for two separate summits with two separate agendas. The G8 will take place in May and the G20 in November. The G8 in Deauville will give priority to: Afghanistan, the Broader Middle East and North Africa (BMENA) Initiative, the Internet, non-proliferation, G8 partnerships with Africa, counter-terrorism, drug-trafficking and security (G8-G20 France 2011, 2011a). Like the G20 summit, the G8 agenda will include follow-up on past commitments from previous summits and progress reports on working groups. At the G20 summit in Cannes, the French priorities are: continuing the previous work on coordinated economic policies and macroeconomic imbalances, strengthening financial regulation, and development; more specifically in terms of French priorities, President Sarkozy has spoken on a number of occasions about reform of the international monetary system; reducing volatility in commodity markets; and improving global governance.

The G20 at the leaders’ level was originally convened to mitigate the damage of the financial crisis of 2008. As we transition out of crisis management towards recovery and stability, there is a concern that countries will lose the sense of urgency to agree on key issues and the policies in response to them. Most importantly, the G20 will only be capable of continuing as an influential forum if it successfully coordinates its efforts on resolving the financial issues that originally called it into existence.

If the G20 increases its credibility, the potential does exist for it to substantively tackle other pressing challenges mentioned (within the context of the crisis). When and how these issues will be added to the agenda depends on the G20 chair, which is responsible for setting the agenda for each summit. The Koreans added development to the Seoul summit agenda and produced the “G20 Action Plan” for each summit. The Koreans added development to the Seoul summit agenda and produced the “G20 Action Plan” for each summit.
Plan on Development.” The French will continue the development work initiated in Seoul, and have stated they seek to raise its profile as an agenda item (G8-G20 France 2011, 2011b). France has also added food security to its agenda — in the context of commodity price volatility. The Mexicans, as 2012 G20 hosts, have already begun ruminating on potential agenda items and topics. Mexico, as an emerging economy, recognizes its role as a “bridge country,” and hopes to make a contribution on subjects significant to both emerging and developed counties.

Earlier discussions for a more representative body than the G8 model tended to treat the question of who would qualify for inclusion with circumspection. Although the Cannes summit in 2011 will be the sixth meeting of the G20 leaders, there is still ongoing debate regarding who will be at the table. None of the summits, thus far, have actually had 20 seats at the table. Spain and the Netherlands were invited to the first few meetings, and Pittsburgh invited the Association of Southeast Asian Nations (ASEAN) and the African Union (AU). The Koreans invited five additional countries — four as representatives of regional organizations: Malawi (AU); Ethiopia (New Partnership for Africa’s Development); Singapore (3G);11 Spain (based on the size of its economy and now, curiously, a permanent guest); Vietnam (ASEAN); and seven international organizations: the Financial Stability Board, the International Labour Organisation, the IMF, the Organisation for Economic Co-operation and Development, the UN, the World Bank, and the World Trade Organization. Despite these additions, Africa is still under-represented and Europe is still over-represented. There is no criterion for membership, and the excluded will always be critical, if not resentful, of both the process and its outcomes, until the day they are at the table.

The relationships among leaders are an important factor in the success of summits. The greater the number of leaders around the table, the more challenges it presents in developing empathy and personal relationships — imperative in generating consensus. Personal trust among leaders allows for the candid discussion of sensitive issues without political posturing. To engage the leaders in discussions, there needs to be fewer people in the room, and the heads of international organizations should only be present for relevant agenda items.

The new norm will be five non-members invited to G20 summits. The reality is that the invited guests say very little. The discussions at these summits are very different than in the G8. People read statements, come in and out of the room, and the heads of international organizations and non-G20 countries do not contribute much. The freewheeling discussion characteristic of the G8 meetings seems to no longer exist. This is deeply worrying.

Finally, there is the more general consideration concerning those that are “not in the room.” To enhance legitimacy for, and understanding of, the G20 process, more extensive outreach efforts are being institutionalized, led by the chair. The Koreans were successful in their outreach efforts, hosting consultative meetings with the development community as well as a side event — a “business summit” — with business leaders. The G20 must incorporate the interests, perspectives and opinions of both excluded countries and non-state actors. “The legitimacy of the decisions and directions taken by the G20 depends on the degree to which those left out feel represented by the process — the greater their perception of inclusion, the more likely they will be to adopt or endorse G20 policy positions” (Carin et al., 2010). This requires reaching out to not only other governments, but to business and civil society (as the Koreans did), regional organizations and the policy research community. Transparency and participation will enhance the G20’s legitimacy.

For the G20 to be sustainable, it must be legitimate. To be legitimate, it must be effective as well as demonstrably more representative than the G8. Public opinion is becoming increasingly impatient with the perceived lack of output from this process. However, the G20 is exactly that: a process. It is a mechanism to work through intense policy disputes, for leaders to meet and agree on coordinated policies and to provide leadership on difficult global challenges. At this point in time, the G20 remains the best option for working through such complex challenges.

A longer version of this paper will be published by the Trilateral Commission later in 2011.

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11 The 3G is the Global Governance Group, is an informal group of small- and medium-sized states that came together in 2010 in the hope of developing a constructive dialogue on coordination and cooperation between G20 and non-G20 members. Singapore is chair of the group. See: www.un.org/esa/ffd/events/2010GAWGFC/7/Stmt_Singapore.pdf.
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