



Global Governance: Meeting the Challenges of the 21st Century

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Introduction

The deepest, broadest, and most persistent financial crisis in decades has the world in its grip. It has taken a significant toll on consumer and business confidence, and led to a sharp slowing in global economic activity. Much of the developed world (including Canada) is in recession and the slowdown is spreading to major emerging and developing economies.

In a recent speech, OECD Secretary-General Angel Gurría stated: “The only way out from this crisis is multilateral co-operation. But the world economy has changed to such an extent in the last years that we need a new type of multilateralism, more inclusive global governance.”¹

He added: “It is time to change. It is time to re-write the rules of a more reliable and balanced globalization. But this will not only require better international organizations and better global governance; this will also demand a change of mind, a change of culture.”²



This paper focuses on the role of global steering committees and multilateral institutions in governing the global economy, and the increasing calls for their reform. It highlights some of the major challenges facing the world and the opportunity presented by the upcoming (April 2nd, 2009) G-20 Leaders Summit to cement change. Lastly, it concludes that Canada is in an excellent position to assume a leadership role to drive change.

¹ Remarks delivered at the seminar in the Finnish Institute of International Affairs, Helsinki, Finland, January 19, 2009

² Ibid.

The Canadian Chamber is committed to fostering a strong, competitive, and profitable economic environment that benefits all Canadians. This paper is one of a series of independent research reports covering key public policy issues facing Canada today.

We hope this analysis will raise public understanding and help decision-makers make informed choices. The papers are designed not to recommend specific policy solutions, but to stimulate public discussion and debate about the nation's challenges.



What is Global Governance?

Global governance is a process of cooperative leadership that brings together national governments, multilateral public agencies, and civil society to achieve commonly accepted goals. It provides strategic direction and then marshals collective energies to address global challenges. To be effective, it must be inclusive, dynamic, and able to span national and sector boundaries and interests. It should operate through soft rather than hard power. It should be more democratic than authoritarian, more openly political than bureaucratic, and more integrated than specialized.

Examples of multilateral institutions that mold economic and political relations are the United Nations (UN) and its Security Council, the World Bank, the International Monetary Fund (IMF), and the World Trade Organization (WTO). Each of these organizations pursues its own objectives and priorities, according to its mandate.

The lack of a comprehensive system of oversight has been filled by a succession of ad hoc groups of states that act as a steering committee for the world economy, for example, the Group of Seven/Eight (G-7/8) Heads of State, and the Group of Twenty (G-20) finance ministers and central bank governors.

Source: Boughton, James M., and Colin I. Bradford, Jr. "Global Governance: New Players, New Rules." *Finance & Development*, volume 44, number 4. International Monetary Fund. December 2007.

A New Approach to Global Cooperation – One that is Inclusive, Effective, and Legitimate



As the OECD Secretary-General noted, dramatic changes have taken place in the global economic structure in recent years. Emerging market economies have grown in importance, both in terms of population and economic weight. They have integrated into the global economy through both trade and finance. China and India, for example, have emerged as economic powerhouses and formidable global competitors. China is the largest creditor nation to the United States. Russia, Brazil, Mexico, South Korea, Indonesia, South Africa, and the Gulf States are also ascending in the world order.

Yet, major global economic, financial and social concerns are, for the most part, discussed by the traditional forums of industrial countries –

the Group of Seven/Eight (G-7/8).³ Emerging countries have been invited to G-8 meetings on an ad hoc basis largely as observers. Some repeatedly asked to be present at the “whole lunch and not only at the dessert.”

Emerging and developing nations also have little influence in multilateral institutions – like the IMF, and the World Bank – even though they are deeply affected by their work.

Because of the global nature of the economic and financial crisis, calls for dramatic and lasting change in global governance – reformed institutions that are more inclusive, effective, and legitimate; and a more inclusive global steering committee – appear to have reached an apex.

³ Created in 1976, the G-7 consists of Canada, France, Germany, Italy, Japan, the United States, and the United Kingdom. In the 1990s, the G-7 was expanded to the G-8 to include Russia's participation in Head of State meetings. The G-7/8 has developed a network of supporting ministerial meeting – for example, the Group of Seven (G-7) of Finance Ministers, among others.

A More Inclusive Global Steering Committee – A New G-20

In 1999, the G-20⁴ – the Group of Twenty finance ministers and central bank governors – was formally created as a forum for cooperation and consultation on matters pertaining to the international financial system. It advances discussion, study and review of key economic and financial policy issues. The goal is to promote stable and sustainable economic growth, and international financial stability. The G-20 consists of 10 industrial countries (Australia, Canada, France, Germany, Italy, Japan, Russia, the United States, the United Kingdom, and the EU which is represented by the rotating president) and 10 emerging market economies (Argentina, Brazil, China, India, Indonesia, Korea, Mexico, Saudi Arabia, South Africa, and Turkey). The G-20 arose out of the need to deal with the Asian financial crisis of 1997-98.

Canadian leadership was instrumental in the creation of G-20. Paul Martin, then Canada's Minister of Finance, championed the idea within the G-7. He believed that emerging economies have a vital role to play in maintaining global economic stability and prosperity. After all, the 1997-98 financial crisis emanated from Asia and had global repercussions. Emerging economies had to be at the table and be part of the solution. He also championed the idea of transforming the G-20 into an L-20, a leaders-level (Heads of State) group.

The concept of the L-20 came to fruition some nine years after the creation of the G-20. Another financial crisis was the catalyst of the first ever G-20 Leaders Summit which took place in Washington DC on November 15, 2008. For many, this meeting was seen a historic breakthrough – a major step toward a new, more inclusive architecture in global financial and economic relations, and global governance more specifically.

The communiqué of the November 15, 2008 Leaders Summit set a date of April 2nd, 2009 for the next meeting of G-20 Leaders to be held in the United Kingdom. The Summit is the opportune time to showcase global cooperation and demonstrate strong leadership to tackle the immediate and longer-term global challenges. The ongoing financial crisis and the ensuing global recession deserve and demand the world's immediate and utmost attention. At the same time, the world does not have the luxury to postpone work on long-term issues – like climate change, energy security, nuclear proliferation, the fight against terrorism, possibility of a global pandemic, and endemic poverty. There is growing consensus that we must deal with these issues before they become a crisis. The G-20 can play a unique and important role in addressing these issues collaboratively and informatively.

There have been calls for the G-20 Leaders to explicitly commit to making the G-20 Leaders group a permanent global steering committee which would meet regularly, and have a clear and strong mandate. Heads of State have the political power to advance discussion and broker key compromises.

Does this mean there is no role for the G-7/8? Indeed, there is. The G-7/8 can continue to meet as an assembly for industrial countries to discuss issues of mutual importance. The G-7 Finance Minister and Central Bank Governors can play a critical role by laying the foundation and completing the groundwork on key global financial and economic issues to effectively prepare their Leaders to address them at G-20 summits. They can collaborate to collectively use a full range of policy tools to strengthen the global economy and stabilize financial markets. The G-7 countries also have considerable resources at their central banks and ministries of finance to devote to G-20 matters.

⁴ Collectively, the G-20 economies comprise 90 percent of GDP, 80 percent of world trade flows (including EU intra-trade), and two-thirds of the world's population.

Reforming Multilateral Institutions of Global Financial Governance

The International Monetary Fund (IMF)⁵

The IMF is an organization of 185 countries. It oversees the international monetary system, and monitors the financial and economic policies of its members. It keeps track of economic developments on a national, regional, and global basis. The IMF also provides guidance and training to low- and middle-income countries on how to upgrade institutions and design appropriate macroeconomic, financial, and structural policies. Lastly, the IMF provides loans to countries that have trouble meeting their international payments and cannot otherwise access financing on affordable terms. Most resources for IMF loans are provided by member countries.⁶ The IMF also provides concessional loans to low-income countries to help them develop their economies and reduce poverty. These loans are financed through separate contribution-based trust funds funded by members, and the IMF itself.

As a result of the global economic crisis, a number of countries have turned to the IMF for financial assistance. The IMF currently has about US\$250 billion in financing capacity. IMF Managing Director Dominique Strauss-Kahn has called for a doubling of its resources. Japan has provided the IMF with a US\$100 billion loan – the largest loan ever made by an IMF member country – but the institution needs an additional US\$150 billion to deal with the current economic and financial crisis. The upcoming G-20 Leaders Summit is expected to focus on ways to adequately resource the IMF.

The world financial crisis has led many in the international community to question the IMF's

ability to effectively deal with it, and its overall role and responsibilities in crisis prevention and management.

The IMF's legitimacy has also been brought into question. The institution is run by an Executive Board composed of 24 Directors who are appointed or elected by member countries, or by groups of countries. The Managing Director has traditionally been a European. There have been calls for a more open, transparent and merit-based selection process to capture the confidence of emerging nations. The voting structure of the IMF has also been criticized. Voice and influence is distributed largely according to economic weight and financial contribution, thus, developing countries have very little influence even though they are greatly affected by the IMF's work. Five of the 24 Directors are appointed by the members who constitute the five largest shareholders of the IMF (the United States, Japan, Germany, France and the United Kingdom). Collectively, these five Directors have 38.39 of the total votes. All other economies are grouped within 19 constituencies each represented by one Director. For example, 20 African countries are represented by a single Director and have a combined voting share of merely 3.01 percent. Six South American countries are represented by a single Director and have a combined voting share of just 1.96 percent.

The United States has 16.77 percent of the votes and veto power over special categories of important decisions. While IMF member nations approved reforms in March 2008 for developed countries to give up a fraction of their voting rights to the

⁵ For information on the IMF, see <http://www.imf.org>.

⁶ Each member of the IMF is assigned a quota based broadly on its relative size in the world economy, which determines its maximum contribution to the IMF.

benefit of emerging and developing countries, it was criticized as inadequate. A strong case can be made for significantly realigning voting power to give developing nations a greater stake in the institution to enhance its legitimacy, effectiveness and relevance. U.S. Treasury Secretary Timothy Geithner said: “We need to send a strong signal that we are ready to give developing countries a voice within the IMF that is commensurate with their importance to the world economy.”⁷

There is great expectation for the upcoming G-20 Leader Summit to conclude with an inclusive package of IMF reforms that address these issues.

The World Bank⁸

Membership in the World Bank is open to all 185 members of the IMF. The World Bank provides financial and technical assistance to developing countries. It consists of two development institutions – the International Bank of Reconstruction and Development (IBRD) which focuses on middle income and credit worthy poor countries, and the International Development Association (IDA) which focuses on the poorest countries. Together, they provide low-interest loans, interest-free credits and grants for investment in education, health, public administration, infrastructure, financial and private sector development, agriculture, and environmental and natural resource management.

Like the IMF, many believe the World Bank is in need of governance reform. The IBRD Board is comprised of 24 Executive Directors. The Executive Directors select a President, who traditionally has been an American. The Executive Directors of the IBRD serve ex-officio as Directors of the IDA. Five

of the 24 IBRD Executive Directors are appointed by the members who constitute the five largest shareholders of the Bank (currently the United States, Japan, Germany, France and the United Kingdom). Collectively, these five Executive Directors have 37.38 of the total votes. All other economies are grouped within 19 constituencies each represented by one Executive Director. For example, 23 African countries are represented by a single Executive Director and have a combined voting share of only 1.92 percent. Six South American countries are represented by a single Executive Director and have a combined voting share of just 2.32 percent.

Recently (February 2009), the World Bank’s Board of Governors approved a proposal to create an additional seat for developing nations on its executive board – a chair for Sub-Saharan Africa. The World Bank recognizes that “expanding the developing world’s voice is central to delivering effective aid and promoting shared prosperity and development within a 21st century economic reality.” The Bank will also undertake a comprehensive and intensive work program to move towards an equitable voting power between developed and developing countries.⁹

While these are seen as steps in the right direction, there is broad support for more ambitious reforms to make the World Bank a more legitimate and inclusive institution that commands the confidence of developing nations. After all, developing nations (especially the poorest of countries) are the most affected by its work and in need of its services. As more countries become more active participants, ongoing coordination is important to enable timely decision-making and informed action.

⁷ Following a congressional hearing on his nomination. January 21, 2009.

⁸ For information on the World Bank, see <http://web.worldbank.org>.

⁹ World Bank. “World Bank Governors Approve Governance Reforms, Adding Board Seat for Africa.” *Press Release*. February 11, 2009.

A Collective International Response to the World's Economic Challenges

The G-20 Leaders Summit is the opportune occasion to discuss and develop action plans to reconcile a number of global concerns. While the global financial and economic crisis is the top priority, the G-20 Leaders have reaffirmed the importance of the Millennium Development Goals¹⁰ and have indicated they are “committed to addressing other critical challenges such as energy security and climate change, food security, the rule of law, and the fight against terrorism, poverty and disease.”¹¹

1. Financial and Economic Crisis

Since the G-20 Leaders met in Washington, DC in November, 2008, the outlook for the global economy has deteriorated significantly. Reflecting the seriousness of the situation, the global macroeconomic response has been unprecedented in both size and scope. Governments and central banks have utilized a variety of tools at their disposal aimed at stabilizing the financial system, including: reducing monetary policy rates to ensure access and affordability of credit for businesses and consumers; guaranteeing bank deposits and borrowing; purchasing bad assets; and injecting capital into financial institutions. Most of the world's leading advanced and emerging economies have also injected significant fiscal stimulus focused largely on the expenditure side, in particular infrastructure spending. The G-7 countries combined have announced over \$1.2 trillion in fiscal stimulus. Almost half of G-20 countries have announced cuts in personal income

taxes and one-third have announced reductions in indirect taxes. About half of the G-20 countries have plans to cut corporate income taxes.

The Bank of Canada believes the effects of the fiscal and monetary stimulus in place in Canada and globally to support the recovery will begin to be felt in the second half of 2009 and will build through 2010. However, “stabilization of the global financial system remains a precondition for the global and Canadian economic recoveries.”¹²

This means that international cooperation and coordination will continue to be critical in designing and implementing policies to strengthen credit markets and the economy. In November 2008, the Chambers of Commerce of the G-20 (including the Canadian Chamber of Commerce) issued a joint statement in advance of the G-20 Leaders Summit in Washington, DC. The statement is still relevant as we head into the April G-20 Leaders Summit in London, UK. “The G20 proposals should aim at strengthening supervisory structures at national and supranational level, and at enhancing cooperation between developed and emerging economies with the aim of reducing economic, monetary and trade global imbalances. The quality of regulatory standards should be improved in the framework of a broad reform of the global financial system that must also include a higher degree of financial and macroeconomic surveillance and improved crisis prevention mechanisms, as well as early warning systems.”¹³

¹⁰ The Millennium Development Goals are eight international development goals (each goal has a set of targets and indicators) that over 190 United Nations member states have agreed to achieve by 2015. Adopted in 2000, the eight goals are designed to: eradicate extreme poverty and hunger; achieve universal primary education; promote gender equality and empower women; reduce child mortality; improve maternal health; combat HIV/AIDS, malaria and other diseases; ensure environmental sustainability; and develop a global partnership for development.

¹¹ Declaration of the Summit on Financial Markets and the World Economy. November 15, 2008.

¹² Bank of Canada. “Bank of Canada lowers overnight rate target by 1/2 percentage point to 1/2 per cent.” *Press Release*. March 3, 2009.

¹³ “G20 Summit: Let's Get Down to Business!” *Position Paper*. November 15, 2008.

Mark Carney, Governor of the Bank of Canada, expressed a similar view during his appearance before the House of Commons Standing Committee on Finance on February 10, 2009. "G-20 countries need to act in concert to improve domestic and international regulatory frameworks. In this regard, measures to improve transparency and integrity, to implement a macro-prudential approach to regulation, and to adequately resource the IMF are vital."

It is expected that the April G-20 Leaders Summit will culminate in a concrete action plan to address these issues.

Bank of Canada Governor Mark Carney also made the case why emerging nations need to be at the table. "Key emerging markets not only have first-hand experience of financial crises but also are the major surplus countries who, as major capital providers, need to be part of a global solution."¹⁴

2. International Trading System

The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. It provides a forum for negotiating agreements aimed at reducing obstacles to international trade and ensuring a level playing field for all. The WTO also provides a legal and institutional framework for the implementation and monitoring of these agreements, as well as for settling disputes arising from their interpretation and application.¹⁵ It has 153 member nations.

The Doha Round ('Doha Development Agenda') of the WTO negotiations was launched in late 2001 to create new market access opportunities and help developing countries gain more from trade liberalization. Some eight years later, a deal on new trade rules has yet to be reached. The global economic recession has spurred calls to revive

talks to promote trade, stave off protectionist actions, and promote an economic rebound.

A successful conclusion to the Doha Round would be a boon to the global economy. The WTO estimates that a Doha deal would translate into an annual US\$35 billion boost in agricultural trade. For trade in other goods, the expected global gain is as much as US\$95 billion annually.¹⁶ For Canada, the benefits of a successful Doha Development Agenda would mean greater access for Canadian manufacturers in key markets, such as the EU. There is also the possibility of even greater global market access through sector-specific agreements. Liberalization in the services sector could yield even greater benefits – Canada had received signals that new opportunities would be made available in areas such as environmental, energy and financial services.

Pascal Lamy, Director-General of the WTO, issued a statement at the 2009 World Economic Forum in Davos, Switzerland expressing hope that the April 2nd, 2009 meeting of the G-20 Leaders will "provide further impetus" to the negotiations.

The April 2nd, 2009 Summit presents the G-20 Leaders with an excellent opportunity to reaffirm their commitment to reject protectionism, refrain from erecting new barriers to trade and investment, abstain from imposing new export restrictions, and avoid implementing WTO inconsistent measures to stimulate exports. It is important that the Leaders send a strong signal that they are committed to reaching an agreement "on modalities that leads to a successful conclusion to the WTO's Doha Development Agenda with an ambitious and balanced outcome."¹⁷

Trade and foreign investment protectionist measures would further exacerbate the global economic crisis and pose risks to sustained growth. "Business is concerned that a panic-driven slide towards protectionism may prolong

¹⁴ Bank of Canada. "From Hindsight to Foresight." Remarks by Mark Carney, Governor of the Bank of Canada, to Women in Capital Markets. Toronto, Ontario. December 17, 2008.

¹⁵ World Trade Organization. "About the WTO — a statement by the Director-General." <http://www.wto.org>.

¹⁶ UN News Centre. "Collapse of Doha round of global trade talks disappointing, says Ban." July 30, 2008.

¹⁷ Declaration of the Summit on Financial Markets and the World Economy. November 15, 2008. Washington DC.

the economic slowdown”, stated BIAC Secretary General Tadahiro Asami. He added: “Political leaders must resist the temptation to shield their industries from foreign trade and investment, as any measures to fence off domestic economies would deepen and widen the negative impact that the financial turmoil has already had on global growth and job creation.” “It is essential to finalise the modalities for trade in agricultural and industrial products before the end of this year and to conclude the trade round successfully with meaningful results in 2009.”¹⁸

In the final analysis, international cooperation is necessary if there is to be a recovery in international trade. Respect for international trade rules will promote stability and economic growth. The fact the WTO is working with the World Bank and the IMF to improve the conditions for financing international trade is extremely encouraging.

3. Climate Change

There is general agreement in the international scientific community that reducing the buildup of greenhouse gas emissions in the atmosphere is fundamental to mitigating climate change. Canada is a member of the Kyoto Protocol, which contains emission reduction obligations for 36 industrialized countries. It requires no commitment from large emitters, like India and China. The United States did not ratify the Kyoto Protocol.

As the 2012 expiration date of the Kyoto Protocol draws near, formal negotiations on a successor agreement have started under the auspices of the United Nations Framework Convention on Climate Change (UNFCCC) and its Kyoto Protocol. Signatories to the UNFCCC met in Poznan, Poland in December 2008. The first draft of a concrete negotiating text will be available at a UNFCCC gathering in Bonn, Germany in June 2009. The goal is to enter into a new, binding global climate change agreement at the 15th Conference

of the Parties to the UNFCCC in Copenhagen, Denmark in December 2009.

At Poznan, the Kyoto Protocol’s Adaptation Fund was finalized. The money is to be used to finance adaptation projects and programs in developing countries that are Parties to the Kyoto Protocol. The UN expects the Adaptation Fund to grow to about US\$300 million by 2012. There is recognition that this is only a fraction of what is needed.¹⁹

Despite the current global financial crisis, the international community appears willing to make the necessary hard decisions when it comes to climate change. The United Kingdom, host of the April 2nd, 2009 G-20 Leaders Summit, is keen on keeping the momentum going towards an ambitious deal at Copenhagen. UK Secretary of State for Energy and Climate Change, Ed Milliband stated: “The start of 2009 is a crossroads moment on climate change.” “To stay on the path to a deal, 2009 must be a year of negotiation not discussion, and we all need to raise our game. Morally, we know the scale of the threat of a changing climate. Economically, we know that the costs of not acting outweigh the costs of acting, and the costs grow the longer we wait.”

The U.S. Department of State has appointed Todd Stern as its Special Envoy for Climate Change. He will serve as a principal advisor on international climate policy and strategy, and the Administration’s chief climate negotiator. On a recent trip to Asia, he, and Secretary of State, Hillary Clinton, opened dialogue with China, Indonesia, Japan and South Korea on common approaches to the challenges facing the international community, including climate change. In early February 2009, China’s Ambassador to the United States, Zhou Wenzhong, stated that his government would welcome co-operation on energy and climate change with the United States.

The April G-20 Leaders Summit offers an opportunity to develop a conceptual framework

¹⁸ BIAC is the Business and Industry Advisory Committee to the OECD. Source: BIAC. “OECD business calls for decisive G-20 action against protectionism.” *Press Release*. November 10, 2008.

¹⁹ Costs of adaptation (to deal with the costs of climate change in developing countries) are estimated at US\$50-\$80 billion per year, according to the United Nations and Oxfam.

of ideas for the successor agreement to the Kyoto Protocol at Copenhagen – an agreement that includes all major economies and major greenhouse gas emitters, including the United States, China and India.

4. Energy Security

Energy security, like climate change, is a complex issue with global reach, requiring global cooperation. The energy challenges are massive. The global population is expected to grow from over six billion today to more than 8 billion by 2030. The world will need at least 50 percent more energy in 2030 than it uses today.²⁰

Energy is a driver of growth and development around the world. Greater competition for finite supplies will put pressure on prices, disproportionately affecting developing economies. The globalized nature of oil markets, and increasingly integrated natural gas market, imply that natural and geopolitical disruptions in one country can have major repercussions in other countries.

The upcoming G-20 Leaders Summit offers an opportunity to collaborate on developing a full range of short-term and long-term strategies to enhance global energy security, and foster economic growth and development. Such a strategy should include a focus on: ensuring stable and growing energy supplies through diversification; diversifying modes and routes of transit to lessen the impact of supply disruptions; better integrating electric, oil and gas transmission infrastructure systems; reducing energy demand by improving energy efficiency; accommodating rising demand from emerging market economies, like China and India; protecting pipelines, refineries, and shipping channels from terrorist aggression; promoting a gradual transition to market prices in the economies of the developing world to encourage more efficient utilization of limited world energy supplies; developing

new technologies for cleaner, cheaper, and more reliable energy sources; and promoting energy security policies in developing countries.

5. Aid and Global Poverty

In the long-term, global stability depends very much on reducing poverty.

Recognizing this, the IMF and the World Bank collaborate closely with each other in the area of poverty reduction and helping countries draw up poverty reduction strategies. Both institutions routinely exchange information on country assistance.

The OECD has issued a call to the world's main aid donor countries to stand by their development pledges, despite the economic downturn. History has shown that cutting back on aid during a recession has material negative consequences for developing countries' agricultural production, infrastructure investment, social welfare, and political stability.

OECD Secretary-General Angel Gurría warned that the financial crisis is quickly turning into a social crisis.²¹ According to the World Bank, almost 40 percent of 107 developing countries are highly exposed to the poverty effects of the crisis, and the remainder moderately exposed. World Bank Group President, Robert B. Zoellick, said: "the global economic crisis threatens to become a human crisis in many developing countries unless they can take targeted measures to protect vulnerable people in their communities." He urged developed countries to allocate 0.7 percent of their fiscal stimulus packages to help poorer countries.²² For Canada, this would mean approximately \$2.8 billion over the next two years.

The economic downturn has systematically spread to developing countries. It is expected that G-20 Leaders will acknowledge that sufficient, predictable, and effective flows of aid are more important than ever, pledging to do more.

²⁰ World Economic Forum on Latin America, and Cambridge Energy Research Associates. "Solving the Energy Puzzle Through Innovation." April 15, 2008.

²¹ OECD. "Addressing the financial crisis: a focus on the human dimension." November 17, 2008.

²² World Bank Group. "The Global Economic Crisis: Assessing Vulnerability with a Poverty Lens." Policy Note. February 14, 2009.

Conclusion: A Leadership Role for Canada

As a small, open, and export-dependent economy, it is in Canada's interest to ensure a well-functioning global governance architecture that promotes stable and sustainable economic growth, a sound financial system, and open and transparent trade and investment policies.

At the April 2nd, 2009 G-20 Leaders Summit, Canada can lead by supporting dramatic and lasting change in global governance, including a permanent and more inclusive global steering committee – a Leaders 20 group – that reflects the economic and political realities of the 21st century. Canada can also contribute ideas to reform multilateral institutions, and address global challenges and opportunities.

Canada is well positioned to take a leadership role. We are a model for much of the world. Our financial sector has been recognized as being the strongest in the world thanks to effective regulatory and prudent practices. We were the first and chief proponent for a G-20 Leaders forum. We have a reputation as the world's leading multinational nation. Our fiscal and regulatory positions are healthier than most other nations. Canada has gained the world's respect for its significant efforts in debt reduction, and its aggressive debt cancellation policies. Canada has taken a leadership role in establishing and financially contributing to the Global Health Fund to fight HIV/AIDS, malaria, and tuberculosis. It has a great peacekeeping heritage, and it is

making a difference on the ground in Afghanistan. As a multicultural nation, we understand the world. This is political capital for Canada in the international community. Let's put it to great use by recommending reforms and presenting solutions to address today's challenges and tomorrow's opportunities that serve our own interests and the global community at large in a balanced way.

For Canada, demonstrating greater leadership at the G-20 Leadership Summit and explicitly committing to making the G-20 Leaders group a permanent global steering committee is critically important for another reason – Canada risks finding itself no longer part of the G-7/8. The G-7 represents six of the seven largest economies by nominal GDP. In 2007, Canada was overtaken by China and Spain in terms of nominal GDP and was the world's ninth largest economy.²³ In 2008, it was the world's 11th largest economy overtaken by China, Russia, Spain and Brazil.²⁴

The stakes are high. While we are proud of our accomplishments, a major rebalancing of global economic power is taking place. Canada must be prepared to take on a greater leadership role and to focus on what it does best – use of persuasive tools, negotiating, advocating for freer international trade and more representative organizations – to maintain its influence, protect and promote its interests, and increase its international competitiveness.

²³ Source: International Monetary Fund. World Economic Outlook Database. *October 2008: Nominal GDP list of countries*. See also World Bank. *Gross Domestic Product*. 2008-07-01.

²⁴ Source: CIA World Factbook. In 2008, the world's largest economies by nominal GDP were (in order) the United States, Japan, China, Germany, France, the United Kingdom, Italy, Russia, Spain, Brazil, Canada, India, Mexico, Australia and South Korea.

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