SUMMARY RECORD OF THE WORKSHOP ON EXAMINING THE OPTIONS FOR RESHAPING INFORMAL GLOBAL GOVERNANCE

Organized by the Shanghai Institute for International Studies (SIIS), Shanghai and Stiftung Wissenschaft und Politik (SWP), Berlin in cooperation with the Heiligendamm Process Support Unit (HDP-SU/OECD)

Held on 15-16 June 2009
Hong Qiao State Guest Hotel, Shanghai, People's Republic of China

Contacts:
Mr Andrea Goldstein, Deputy Director (andrea.goldstein@oecd.org) Tel: +33.1.45.24.89.46
Mr Andreas Schaal, Senior Economist (andreas.schaal@oecd.org) Tel: +33.1.45.24.93.88
SUMMARY RECORD OF THE WORKSHOP ON EXAMINING THE OPTIONS FOR RESHAPING INFORMAL GLOBAL GOVERNANCE

1. The Shanghai Institutes for International Studies (SIIS) and Germany’s Stiftung Wissenschaft und Politik (SWP), with the assistance of the HDP Support Unit at the OECD, organized a workshop on “Reshaping Global Governance – Examining the Options” in Shanghai on 15-16 June. Some 40 panelists and participants from G8 and G5 governments, major international policy think-tanks, and the private sector examined different options regarding the future of global governance architecture. The workshop took place in an informal setting according to the Chatham House rule.

2. The three leading questions discussed in the workshop were:
   - What role does informal governance play in addressing global challenges?
   - What has been the experience of the Heiligendamm Dialogue Process (HDP) – the topic-driven informal G8/G5 dialogue launched at the 2007 G8 Summit in Germany?
   - What are the priorities for the forthcoming 8-10 July L’Aquila Leaders’ Summit?

3. The key arguments can be summarized as follows:
   - All existing G formats (G8, G8+5, G20, etc.) play an important role in informal global governance.
   - Different Gs will be judged against the substantive results and value added they produce on specific policy-relevant topics – neither should the G20 potential be overestimated, nor the potential of G8+5 and other formats be underestimated.
   - The HDP has added value in the search for common ground in areas where progress is difficult to achieve in other more formal institutions. The ability of informality to produce spill-overs into such formal institutions can be the basis for joint action.
   - The Process could be prolonged with a strengthened and broadened mandate. To maintain its relevance in the future, the working agenda will have to be set jointly, topics be expanded to better reflect developing countries’ interest, and the principle of equal partnership be upheld.

4. The first session was devoted to the Heiligendamm Dialogue Process and in particular to its contribution to keep markets open and foster responsible international investment. Speakers agreed that the HDP is an important new form of partnership between industrialized and major emerging economies that responds to the need for more active cooperation. This imperative has been reinforced by the financial and economic crisis – the first-ever G8-G5 Joint Declaration which is envisaged for the L’Aquila Summit was mentioned in this context.

5. As a specific example of the application of HDP principles and working methods, the HDP Investment Working Group was discussed. Against the background of developments in world business, with new major players emerging and the direction of investment flows changing rapidly, it was felt that the HDP is making a substantive contribution. As an informal non-negotiating forum, it has contributed to build confidence and common ground and hence complemented work in other institutions. In particular it has produced deliverables in five areas for the L’Aquila Summit (including future work on investment monitoring, promoting coherence and RBC and CSR principles). The HDP has also benefitted from the important work of OECD and UNCTAD on investment issues.
6. One panelist made a strong case for developing a new multilateral framework for investment under the WTO umbrella and for linking such a framework or other international rules to an international cap and trade system to reduce CO2 emissions and to fight climate change. This idea was welcomed as necessary in order to ensure transparency and reliability for investors. As expected, there was no consensus regarding the ideal locus to negotiate a possible multilateral framework for investment, with institutions such as IMF, OECD and UNCTAD mentioned in addition to WTO. The HDP could serve as a pathfinder insofar as it permits an informal exchange of views concerning the elements which could justify a multilateral consideration in the field of investment.

7. In the context of maintaining open investment policies there was a discussion on the role of governments and the related need of monitoring sprouts of protectionism. On the basis of his experience in working both with foreign firms that do business in China and with Chinese companies that are investing overseas, a panellist voiced concerns about the willingness of governments to resist protectionism. He gave practical examples in this respect, including the use of antitrust law as a protectionist tool, and also noticed that countries’ interests are bound to change as they move from being major recipients of FDI to a major source. The OECD, WTO, UNCTAD and IMF joint initiative and the Global Trade Alert Project were highlighted as good monitoring examples.

8. Panel II focused on the reshaping of “club governance”: what forms are more conducive to reinforced cooperation between industrialised countries and emerging economies? What criteria should guide the choice? Is there a trade-off between efficiency and representativeness?

9. A lively debate took place on the contribution of different formats and topics. Since its establishment in 1975, the G7/G8 has played a crucial role as a Leaders’ forum to discuss global economic challenges. In recent years, as a consequence of structural changes in the world economy, its influence and standing seems to be diminishing. One Chinese participant observed that the G8 is perceived as a vehicle to spread the dominant “Western thinking” and as scarcely open to emerging economies concerns and initiatives.

10. Various reform options have been discussed to make the G7/G8 more inclusive, flexible and on equal footing. At the same time, the G20 has acquired new relevance since its upgrading from a meeting of Finance Ministers and Central Bank Governors to a Leaders’ Summit in Washington and London. Many countries see the G20 as more attractive because of its inclusiveness and representativeness.

11. One panellist observed that the choice among different formats should be made in terms of efficiency. Size matters in this regard and the risk of the G20, no matter how inclusive and representative it might be, is to become too large to be efficient. The HDP can be seen as a possible bridge to reform the G8 and to react to the closer cooperation among emerging economies. By integrating a limited number of additional partners beyond G8 and G5, the HDP has potential to develop into a model of informal global governance that is both representative and efficient. Better communication regarding the HDP philosophy, activity and results would help in this regard.

12. This does not mean that global governance must be overhauled completely – one participant in particular was of the opinion that in this domain evolution is preferable to revolution. This view was echoed by others. Another referred to the history of the G8 as a topic-driven forum and argued that each of the existing formats has its virtues and values. At any rate, as another presenter highlighted, in view of the inclination of the US administration not to decide on what might be the most appropriate form of its engagement in global governance, the different formats will coexist – accompanied by stronger coordination among the emerging economies. Increasing G5 coordination within HDP and the first BRIC leaders’ Summit (which was taking place on the same day in Yekaterinburg) were cited as examples.
13. The need to jointly set the agenda was reiterated as a necessary condition for successful G5 participation, bearing in mind that at least for China a simple G8 accession is not an interesting option. While China’s position towards multilateral cooperation has completely changed, Beijing is concerned that its active and constructive role in the world economy is not reflected adequately in multilateral governance. An interesting exchange developed concerning eventual OECD membership, something that some Chinese participants deem premature to consider. On the other hand, the role of informal clubs to facilitate consensus and the contribution of the HDP were appreciated.

14. The final panel was devoted to the perspectives for the L’Aquila Leaders’ Summit (8 -10 July 2009). The Italian G8 Presidency, which also holds the Chair of the HDP Steering Committee, has set the following priorities:

- define new forms of global governance which are more inclusive;
- promote sustainable growth after the crisis;
- consider social aspects (“put peoples first”);
- enhance energy availability and security;
- tackle climate change;
- promote international development and the fight against poverty;
- fight against terrorism.

15. Italy wants to make the Summit more representative and efficient through the substantive involvement of emerging economies. Brazil, China, India, Mexico and South Africa, as well as Egypt, have been invited to all G8 ministerial meetings, which in turn serve to define the Summit substantive content. Against this background, a new process for enhanced G8 and G5 cooperation, the Heiligendamm-L’Aquila Process (HAP) should be launched at the Summit. With respect to G20, the Italian G8 Presidency does not see competition but complementarities.

16. It was argued that emerging economies praise the attention of the G8, while seeing the promotion of South-South cooperation as a priority. In the case of South Africa, this means in particular the G5 and IBSA, although authorities are also engaged in other forms of global governance and therefore remain committed to HDP. A South African participant recalled the concerns that the HDP agenda has been largely developed by the G8 and therefore the need to achieve a more balanced agenda in the next phase in order to ensure active cooperation, real ownership and equal partnership. From the viewpoint of developing countries, this means giving greater attention to issues like trade and agriculture protectionism, food security and aid, while also bring development organizations like UNCTAD closer to the process.

17. Speakers also exchanged views on the HDP and the G8/G5 dialogue in the broader context of China’s foreign policy. This is increasingly complex and driven by considerations such as the relationship with the United States, neighbourhood policy, developing countries diplomacy, the affirmation of Chinese soft power, and multilateralism. In this context the HDP is seen as a useful forum to practice multilateral policy, but its relevance for the average Chinese citizen is obviously very low. Similar considerations apply from an Indian perspective. Global governance has long been perceived as being unfair for developing countries and policy priorities in Delhi seem to be tilted to the domestic front. This is changing, however, as issues like climate change became crucial for India and policy-makers acknowledge the need for international cooperation.

18. Finally, participants examined the expectations of international business. There was a general feeling that summitry is not an art of great interest to global business leaders. At the same time, the HDP could contribute to reinforce predictability and transparency and ensure a level-playing field – clearly
issues of vital importance to business. A simple agenda focused on economic growth, poverty reduction and climate change and the association of China, India and other emerging economies to global governance was seen as the most promising option.
ANNEX I: PROGRAMME

Monday 15 June 2009

20h00 Welcome dinner for panelists at the invitation of SIIS and HDP/SU
Venue: South Beauty

Tuesday 16 June 2009

09h00 Welcome by Dr. Chen Dongxiao, Vice President of SIIS and Dr. Stefan Mair, Director of SWP

09h15 Session I: The Heiligendamm Process – can policy dialogue between G8 and G5 contribute to keep markets open and foster responsible investment?

At the Heiligendamm Summit in 2007, the G8 and G5 Leaders launched the Heiligendamm Process as a new form of partnership. Investment is one of the four thematic pillars of the Dialogue. In this session will discuss the general approach of HDP, its principles and working methods. How have they have been applied in practice in the investment pillar of HDP? In the context of the financial crisis, can the HDP contribute to keep markets open, resist protectionism, and foster responsible investment as a precondition to restore growth and confidence in markets?

Chairperson: Stefan Mair, Senior Fellow, SWP

- Noboru Hatakeyama, Chairman and CEO, Japan Economic Foundation
- Wes Scholz, Co-Chair of the HDP Working Group on Investment and Director of the Office of Investment Affairs, US State Department
- Albrecht von der Heyden, Consul General of Germany in Shanghai
- Xu Mingqi, Professor, Deputy Director, Institute of World Economy, Shanghai Academy of Social Science, China.
- Marco Marazzi, Partner, Baker & McKenzie and Board Member, European Chamber of Commerce in China
- Ulrich Benterbusch, Director, HDP Support Unit

10h30 Coffee break

10h45 Discussion

11h30 Lunch
Venue: Liu Fu Palace (Building No. 6, Hong Qiao State Guest Hotel)

13h30 Session II: Reshaping “club governance” – examining the options between G8, G8/G5 and G20

Since its establishment in 1975, the G7/G8 has played a crucial role as a Leaders’ forum to discuss global economic challenges. In recent years, as a response to structural changes in the world economy, various reform options have been discussed to make the G7/G8
more inclusive. The recent upgrading of the G20 from a meeting of Finance Ministers and Central Bank Governors to a Leaders’ Summit also reflects this reality. What forms are more conducive to reinforced cooperation between industrialised countries and emerging economies? What criteria should guide the choice? Is there a trade-off between efficiency and representativeness?

Chairperson: Prof. Chen Dongxiao, Vice President, SIIS

- Stefan Mair, SWP
- Alan Alexandroff, Munk Centre for International Studies, University of Toronto
- Ye Qing, Deputy Director, Institute for Global Governance Studies, SIIS
- Andreas Schaal, Senior Policy Analyst, HDP Support Unit

Discussion

15h00 Coffee break

15h15 Session III: Perspectives for the L’Aquila Leaders’ Summit (8 -10 July 2009)

Italy, which took over the presidency of the G8 on 1 January, will host the Summit from 8 to 10 July. Prime Minister Berlusconi and Foreign Minister Frattini have stressed the need to rethink the nature and structure of the G8. The aim is to make it more representative and more efficient through the substantive involvement of the emerging economies (China, India, Brasil, Mexico and South Africa).

Chairperson: Andrea Goldstein, Deputy Director, HDP Support Unit

- H.E. Ambassador Riccardo Sessa, Ambassador of Italy to China
- Jin Canrong, Deputy Dean, School of International Studies, Remin University of China
- Alan Rosling, Griffin Growth Partners Limited
- Elizabeth Sidiropoulos, National Director, South African Institute for International Affairs

Discussion

16h45 Closing remarks by Dr. Chen Dongxiao and Dr. Stefan Mair
ANNEX II: LIST OF PARTICIPANTS

Dr. Alan S. Alexandroff
Research Director
Program on Conflict Management and Negotiation (PCMN)
Munk Centre for International Studies

Mr. Ulrich Benterbusch
Director
Heiligendamm Dialogue Process Support Unit
OECD

Dr. Chen Dongxiao
Senior Vice President for Research Studies and International Cooperation
Shanghai Institutes for International Studies (SIIS)

Mr. Chen Zhishan
Third Secretary
Department of International Organizations and Conferences
Ministry of Foreign Affairs

Mr. Andrea Goldstein
Deputy Director
Heiligendamm Dialogue Process Support Unit
OECD

Dr. Guo Xuetang
Associate Professor of International Relations
Shanghai University of Political Science and Law

Mr. Noboru Hatakeyama
Chairman & Chief Executive Officer
Japan Economic Foundation (JEF)

Dr. Jiemian Yang
President
Shanghai Institutes for International Studies (SIIS)

Dr. Jin Canrong
Professor & Associate Dean
School of International Studies
Renmin University of China

Mr. Liu Zhiyong
Third Secretary
Department of International Organizations and Conferences
Ministry of Foreign Affairs
Dr. Liu Zongyi
Research Fellow
Institute for Economic Comparative Studies
SIIS

Dr. Stefan Mair
Senior Fellow & Directing Staff
Stiftung Wissenschaft und Politik (SWP)

Mr. Marco Marazzi
Partner
Baker & McKenzie LLP

Dr. Niu Haibing
Assistant Director
Institute for International Strategic Studies
SIIS

Mr. Massimo Roseigno
Consul General of Italy in Shanghai

Mr. Alan Rosling
Griffin Growth Partners Limited

Mr. Andreas Schaal
Senior Policy Analyst
Heiligendamm Dialogue Process Support Unit
Directorate for Financial Markets and Enterprises Affairs
OECD

Mr. Wes Scholz
Director, Office of Investment Affairs
US Department of State

H.E. Ambassador Riccardo Sessa
Ambassador of Italy to the People’s Republic of China.
Embassy of Italy in Beijing

Ms. Elizabeth Sidiropoulos
National Director
South African Institute for International Affairs

Dr. Albrecht von der Heyden
Consul General of Germany in Shanghai
German Consulate General

Dr. Wu Chunsi
Deputy Director
Institute for Foreign Policy Studies
SIIS
Prof. Xu Mingqi  
Deputy Director of the Institute of World Economy  
Shanghai Academy of Social Science (SASS)  

Prof. Ye Jiang  
Director  
Institute for Global Governance Studies  
SIIS  

Dr. Ye Qing  
Deputy Director, Institute for Global Governance Studies  
Director, Center for International Organization and International Law SIIS  

Prof. Yu Zhengliang  
Senior Fellow  
SIIS  

Prof. Zhao Gancheng  
Director  
Institute for International Strategic Studies  
SIIS  

Prof. Zhang Haibing  
Deputy Director  
Institute for Economic Comparative Studies  
SIIS  

Dr. Zhu Jiejing  
School of International and Diplomatic Affairs  
Shanghai International Studies University