Governance through government networks: The G8 and international organizations

Sieglinde Gstöhl

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Abstract As an informal grouping without headquarters, permanent staff or legal powers, the world’s major industrialized countries must rely on other actors, in particular international organizations, to manage global problems. This article examines how the Group of Eight contributes to global governance by cooperating with international organizations in the cases of debt relief and the fight against terrorist finance. It shows that the G8 draws on international institutions with the aid of government networks and argues that this cooperation is stronger, the greater the Group’s concentration of relevant power and the more important it considers the institutions’ resources.

Keywords G7 · G8 · Global governance · Government network · Debt relief · Terrorist finance

JEL Codes F02 · F34 · F37

1 Governance and the G8 System

The Group of Eight—formerly known as the World Economic Summits—is an informal grouping of the leading industrial nations (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States) plus Russia.¹ The Group primarily serves to articulate and coordinate its members’ interests. Yet, the summit

¹Russia became a formal member of the “political G8” in 1998, but it only obtained full and equal membership of the “economic G8” in 2006. In this article the term G8 is used unless it is essential to make a distinction between the G8 and the G7.

S. Gstöhl
Department of EU International Relations and Diplomacy Studies, College of Europe, 8000 Bruges, Belgium
e-mail: sgstoehl@coleurop.be
states have from the beginning perceived themselves as a community sharing the values of democracy, market economy and human rights whose combined economic and political weight also places a particular responsibility on them regarding the management of globalization processes (Naumann, 1994: 209).

Since the first summit in 1975, the Group’s development has been characterized by an expansion of issues on the agenda and a differentiation of the G8 system. The summits’ scope has spread from the original economic, monetary and financial issues to matters of development, environment, foreign and security policy, and now covers almost all important global problems. Beyond the annual summit of 2–3 days, meetings take place on the ministerial, officials and experts level all year round, thus creating a complex network of close relationships in a process running 365 days/year, 24 h/day. The Group’s chair rotates among the members. The country holding the presidency for the calendar year proposes the summit location and agenda, acts as spokesperson and organizes the preparatory meetings. The G8 takes its decisions by consensus and usually publishes them in a communiqué or chair’s summary. Preparations for the annual summit take the form of a series of meetings among the personal representatives of the G8 heads of state and government, commonly known as “sherpas.” They are the central coordinators. The “sous-sherpas” prepare the meetings of the ministers of finance and foreign affairs and oversee the expert groups. In some cases, the G8 summits set up expert groups to examine specific problems and draft recommendations such as the Chemical Action Task Force, the G8 Non-Proliferation Experts Group, or the Digital Opportunities Task Force. Occasionally, the G8 has also created new external fora, for instance the Financial Action Task Force on Money Laundering (FATF), the Financial Stability Forum (FSF), and the G20. As a result, the G8 is “a paradoxical institution that combines the ideal of informal fire-side discussions between world leaders with the need to involve a burgeoning network of civil servants, government ministers, international organisations and non-governmental organisations” (Penttilä, 2003: 15).

Regardless of its increasing institutionalization, the G8 has remained an informal international institution without a secretariat, permanent staff, headquarters, written charter, legal powers or formal competence to take binding decisions. This lack of own operational capacities raises the question of how this handful of states might contribute to global governance. For some authors, the Group of Eight constitutes a mere photo opportunity or talkshop (Schäetzel & Malmgren, 1980: 137) which is “no longer big enough to manage global economic bodies” (Antholis, 2001: 224). For others, it represents the emerging “effective centre of global governance” (Kirton, 1999: 46) or functions as the world’s self-appointed “board of directors”

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2 The financial sous-sherpas deal with topics such as monetary policy, debt and the international financial architecture, the foreign affairs sous-sherpas talk about environmental and development issues, and the political affairs directors (also from the ministries of foreign affairs) discuss regional questions, arms control, the fight against terrorism and drug trafficking.

3 The Group of Twenty is an informal forum of the finance ministers and central bank governors of 19 industrialized and emerging-market countries plus the European Union (EU) that promotes a dialogue on key issues related to global economic stability.
(Antholis, 2001: 213) that “can exercise tremendous influence over the multilateral institutions of global governance” (Barry, 2002).

In spite of the media attention which the summits regularly attract, “the structure and functioning of the G8 (...) has largely eluded political science analysis,” especially with regard to its external relations (Schmunk, 2000: 61). The thriving debates on globalization and global governance have equally ignored it. In fact, “some institutions in the global polity have long been subject to much scholarly attention (...) But other institutions that quite plausibly are important have received little attention, in particular the institutionalized cooperation between the leading industrialized nations—the G7(8)” (Ougaard, 2002: 39).

This article examines how the G8 contributes to global governance by cooperating with international organizations in the management of global problems. Governance in a broad sense encompasses different modes of coordination such as market, hierarchy (i.e., the classic notion of government) or networks. Of interest here is governance by networks which comprises “types of political steering in which nonhierarchical modes of guidance, such as persuasion and negotiation, are employed” (Héritier, 2002: 185). The concept of global governance embraces a process through which different kinds of actors from different levels manage their common affairs by taking cooperative action (cf. Commission on Global Governance, 1995: 2–3).

In principle, the Group of Eight may provide governance through first, (non-binding) self-commitments of its members to coordinate their national policies; second, international institutions; and/or third, the inclusion of private actors. The extant literature has almost exclusively focused on the first category, to the detriment of the Group’s external relations. Yet, in the era of globalization, policy coordination of these seven or eight states is hardly a sufficient response, and noteworthy cooperation with other countries usually takes place in an institutional framework. The inclusion of private actors such as firms or non-governmental organizations (NGOs) in the summits’ work is still in a rather embryonic stage (Hajnal, 2002). Hence, cooperation with international institutions seems the most promising governance strategy regarding global problems. Since its very first summit, the Group has reiterated that it intends to make use of existing international organizations to achieve certain objectives, yet without replacing them (de Guttry, 1994: 73). The G8 involves international institutions through networks in the formulation of policy decisions (e.g. through their participation in G8 expert groups

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4 A notable exception is Ashgate’s “The G8 and Global Governance Series” published since 1999 under the auspices of the “G8 Research Group” of the University of Toronto. See also Gstöhl (2003).

5 I thereby use global governance in an analytical sense (i.e., how it works empirically), not in a normative sense (prescribing value-based solutions to global problems).

6 Exceptions are Putnam and Bayne (1987: 160–166), Bayne (2000: 137–141) and a few specific case studies (e.g., Kühne, 2000; Cohn, 2002; Fratianni, Savona, & Kirton, 2002; Penttilä, 2003; Baker, 2006).

7 The Group’s first official “outreach” dialogue with civil society took place in 1998. In addition, a few G8 expert groups have in recent years brought in private actors.
and high-level meetings) and/or in the implementation of policy decisions (e.g., through “delegating” or “exporting” tasks).

This article shows that the G8 draws on international institutions with the aid of government networks. I argue that the G8’s degree of cooperation with international organizations is higher, the greater the Group’s concentration of relevant power and the more importance it attributes to the institutions’ pertinent resources. To probe the plausibility of this claim, I examine two cases of global challenges from different policy fields: debt relief for poor countries and the fight against the financing of terrorism. The article thereby aims at contributing to four strands of research: first, to the little known mechanisms of G8 governance; second, to the (re)discovered relevance of government networks in international affairs; third, more generally to the analysis of informal groups in international relations; and fourth, to the conceptualization of power in global governance.

2 Framework of Analysis: “Bringing Transgovernmental Relations Back In”

The theoretical framework is based on the following five assumptions: first, the G8 area is particularly affected by processes of globalization (cf. Walter, Dreher, & Beisheim, 1999) and thus has an interest in coping with their effects. Second, the Group is well placed to attempt to manage global problems and to contribute to global governance. “Although the external strength of the major powers—individually—is in decline, collectively the G-7 exhibits overwhelming strength compared to the remainder of the international system” (Volgy & Bailin, 2003: 92). Third, even though the G8 states might matter as a “hub” of global governance, their self-commitments are most likely not sufficient to provide global governance (cf. Kirton, 1999; Kokotsis & Daniels, 1999). Hence, they have an incentive to cooperate with other actors, in particular through international institutions. Fourth, it is assumed that the G8 intentionally acts as a group and that the official G8 statements, based on consensus, are expressions of the Group’s political will. Fifth, international organizations are not able to coerce powerful states such as the G8, even if they possess varying degrees of autonomy in terms of being able to act in certain ways not dictated by states (Barnett & Finnemore, 2004: 10). Hence, international organizations are neither independent actors nor simple instruments of their major members.

The analytical approach of this article is best described as global governance through government networks or “bringing transgovernmental relations back in.” A pioneering article on transgovernmental relations was published by Keohane and Nye in 1974, yet for almost three decades, political science research did not follow up but focused instead on transnational relations in terms of business and non-

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8 Bailin (2001: 16–18) argues that a “group hegemon” requires a group identity which in the case of the G8 is established by the small number of participants, by restricting membership to capitalist democracies sharing a mutual interest in maintaining the liberal economic order, and by the Group’s public recognition accomplished through well-publicized great power summits. Volgy, Frazier, and Ingersoll (2003: 63) conclude on the basis of an analysis of G7 voting patterns in the UN General Assembly “that the group remains a strongly cohesive force.”
governmental organizations (e.g., Risse-Kappen, 1995). Transgovernmental ties are not new, but so are the recent scale, scope and types of links between government officials from different countries. In the past 30 years, government networks have become considerably more complex and common. Slaughter (2004: 162) forcefully brought the issue back on the agenda by observing an emerging “international order in which the principal actors are not states, but parts of states; not international organizations, but parts of international organizations. Those parts, either national or supranational, that perform the same governance function—legislation, execution, adjudication—link up with one another around the world”.

These government networks are a type of policy network. Slaughter (2001: 2-3) delineates them as “networks of national government officials exchanging information, coordinating national policies, and working together to address common problems.” Horizontal government networks link counterpart national officials in their respective issue areas across borders (e.g. the G8 sherpas), whereas vertical government networks connect national government officials with officials from international organizations (e.g. G8 and IMF officials). Baker (2006: 140) even calls the G7 a “master transgovernmental coalition” in global financial governance whose purpose was to maximize collective influence by “offering strategic direction to a series of more specialist and partially autonomous junior transgovernmental networks that engage in technical problem solving.” Contacts exist not only on the officials’ level and in expert groups; the summiteers themselves have in the past decade increasingly been ready to meet with leaders of international organizations (e.g., the UN Secretary-General, the IMF Managing Director and the World Bank President) and of non-G8 countries (e.g. emerging markets). In turn, G8 officials often participate in meetings of international organizations.

One could thus speak of a kind of network governance regarding the G8’s cooperation with international organizations. This network governance is neatly illustrated by the sequence of high-level political meetings throughout the year: The G8 summits usually take place in June or July. In their run-up, the annual ministerial

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9 While “transnational” means relaxing the assumption that states are the only relevant actors in world politics, “transgovernmental” means relaxing the assumption that states act as units. Keohane and Nye (1974: 43–44) do not regard heads-of-state meetings as transgovernmental politics but only activities of lower-level bureaucracies. For the purpose of this article, however, the summits themselves are also considered part of transgovernmental relations. After all, heads of state or government do not necessarily represent a single position of the entire government apparatus but may, for instance, employ a two-level strategy to overcome domestic opposition (see Putnam, 1988: 457).

10 Policy networks may be defined as a set of relatively stable relationships which are of a non-hierarchical and interdependent nature linking a variety of actors who share common interests with regard to a policy and who exchange resources to pursue these shared interests (Börzel, 1998: 254).

11 In Slaughter’s stricter conception, vertical government networks involve only “supranational” institutions, that is, where international organizations have become sufficiently specialized to develop the equivalent of an executive, judicial, or even legislative branch.

12 Early in the summit process, leaders of international organizations were not invited because heads of state considered international secretariats and national bureaucracies alike part of the problem, not the solution (Schaetzel & Malmgren, 1980: 140). From today’s perspective, Baker (2006: 136) argues that “while the Managing Director is supposed to communicate the rest of the world’s interests to the G7, it is more common for the G7 to attempt to use the IMF and the Managing Director to express their views to the rest of the world.”
meetings of the OECD Council take place in Paris, and the heads of state and
government of the European Union—the European Council—meet in June. In
addition, the G8 finance ministers and central bank governors meet alongside
the autumn and spring meetings of IMF and World Bank (usually in April and
September). “Effectively this means that the G7 can act as a caucus group, in which
a consensus is reached before that consensus is promoted elsewhere” (Baker, 2006:
136). Finally, the opening of the UN General Assembly in New York in September is
accompanied by a working lunch of the G8 foreign ministers. These interactions are
important because “the G7 cannot simply impose themselves on existing
international institutions and bodies, (...) but rather they have to engage in a
continuous process of persuasion” (Baker, 2006: 63).

Turning to operationalization, it has to be pointed out that research on the G8 is
always confronted by the difficulty of establishing what was discussed and agreed,
given the secrecy of the process and the absence of formally recorded minutes.
However, “communiqués remain a useful guide to what the G7 are attempting to
accomplish” since “they are often directed at actors in other settings in an effort to
influence their activities” (Baker, 2006: 15). Hence, the focus here is on the
implementation and not on the formulation of G8 policy decisions. The G8’s degree
of cooperation with international institutions—the dependent variable—is measured
by the scope and the intensity of the Groups’ requests or commitments. The effort
to cooperate in such a vertical government network is stronger, the more intense and
specific a demand (implying different mixtures of “covert coercion” and persua-
sion). “The Group of Seven’s consensual mode of operation, together with its
informality, have produced a form of co-operation based on strategic signaling to
other actors in an effort to convey the G7 consensus” (Baker, 2006: 233). In other
words, the horizontal government networks of the Group of Eight allow it to arrive
at a consensual position and then promote that consensus collectively in vertical
government networks.

Cooperation thus takes different forms: it may constitute a kind of “policy
export,” where the target organization takes over G8 policy (a “high” degree of
cooperation); it may come close to a “delegation” (a “medium” degree of

13 Since 1977 the EU participates in the summits and is represented by the Commission and the country
holding the Presidency (in case of a non-G8 EU member). It cannot assume the presidency.

14 The “G8 Research Group” defines a commitment as a discrete, specific, publicly expressed, collectively
agreed statement of intent, a “promise” or “undertaking” by summit members that they will take action to move
toward, meet or adjust to an identified target (such as changes in the behavior of members, other countries,
international institutions or private actors). See http://www.g8.utoronto.ca/evaluations/methodology/g7c2.htm
(download 20/05/2006). Ougaard (2004: 78f) suggests to use the number of references to an organization in G8
summit declarations as an (admittedly crude) indicator. The number does, however, not inform us about the
contents or importance of the aspired cooperation.

15 Baker (2006: 11) finds that G7 influence is “based on activities such as discourse construction, the
promotion of shared causal and normative beliefs, mutual endorsement, persuasion and ultimately attempts
to legitimate existing arrangements.”

16 The concept of policy export draws on EU literature regarding the accession and association processes
(e.g., Christiansen, Petito, & Tonra, 2000).
cooperation),¹⁷ that is the creation (or increase of competences) of an external forum; or it may represent an “extended policy coordination”¹⁸ that aims to extend the G8 consensus to an additional set of countries or an organization, implying a process of mutual adjustment (a “low” degree of cooperation). Policy export is expected to be easier with regard to small international institutions than larger ones.

The actors in a network are engaged in non-hierarchical discussions and negotiations to formulate policies or implement them, and their interactions are marked by power relations and mutual resource dependencies. The significance of an actor generally increases with the importance which other actors attribute to the resources controlled by it. Drawing on this insight from the analysis of policy networks, the two explanatory variables to be examined are the G8’s power concentration in a policy field and the perceived importance of the international organizations’ resources.¹⁹

Power concentration is gauged by the G8’s global concentration of issue-specific power and its potential institutional power (or influence) in the international institution concerned.²⁰ Issue-specific power is measured by the G8’s share of the global capabilities in the relevant policy field, while institutional power is primarily measured by the combined (formal) voting power of the G8 countries. In addition, the Group’s influence is likely to increase with its share of the organization’s budget.²¹ The stronger its power position, the more likely the G8 cooperates with an international institution, given its chance of exerting influence and its interest in the management of global problems.

International institutions, in turn, possess different kinds of material and immaterial resources which make them interesting partners for the G8.²² They

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¹⁷ Strictly speaking, the G8 demands made upon an international organization in summit declarations do not qualify as delegations in terms of the principal-agent theory. Such a definition of delegation implies a conditional grant of authority from a principal to an agent empowering the latter to act on behalf of the former, a relationship governed by a contract (cf. Hawkins et al., 2006-12-12) As members of an international organization, the G8 states have, of course, upon their accession delegated authority and they are able to revoke it, but this act is not linked to the summit requests. Moreover, policy networks are of a non-hierarchical nature.

¹⁸ According to Keohane (1984: 51), this kind of “cooperation requires that the actions of separate individuals or organizations—which are not in pre-existent harmony—be brought into conformity with one another through a process of negotiation, which is often referred to as ‘policy coordination’.”

¹⁹ For the purpose of this study, and for reasons of clarity, I distinguish between the notions of “power” and “resources”: whereas the G8 holds power, the other institutions dispose of resources.

²⁰ From an International Relations perspective, this conception corresponds to the neoliberal institutionalist view that policies are largely shaped by an actor’s relative power position in a given issue area and its relative influence in an international institution.

²¹ The budget share is especially of interest as a supplementary indicator with regard to organizations based on the principle of “one country, one vote.” In fact, a budget’s scale assessments are often associated with issue-specific power.

²² Arts (2001: 44) defines resources as “facilities to which policy coalitions (may) have access and which coalitions mobilise to influence the course of action in a policy domain.”
comprise information, expertise and legitimacy as well as infrastructure (including finances, implementation capacities, forum for discussions or negotiations) and legal competences (regarding rule-making and enforcement). The more significance the G8 attributes to these resources, the more likely it cooperates with the institution. Already Keohane and Nye (1974: 50) observed that, because of the need to combine resources, transgovernmental relations “may be particularly important in issue areas in which functionally defined international organizations operate.”

Combining these variables, I argue that the G8’s degree of cooperation with international organizations is higher, the greater the Group’s concentration of relevant power and the more important it considers the institutions’ pertinent resources. In other words, policy export is more likely, the more powerful and the more dependent the G8 is on other institutions’ resources. In a similar way but disregarding the organizations’ resources, Volgy, Frazier, and Ingersoll (2003: 66) suggest that “the G-7 is likely to exercise continued leadership in global governance when four conditions are met: substantial capabilities to do so; commonality in policy preferences; the collective will to exercise such leadership; and the structural competence to do so.”

A few limitations need to be mentioned before turning to the case studies. First, the article does not consider competing power centers or the role of individual countries within the Group of Eight (such as the United States which often take the lead). Second, it does not include the many instances where the G8 has not acted or has not reached a consensus. Third, it does neither empirically nor normatively assess the success of the G8’s policies or whether the Group’s cooperation with international institutions is desirable and useful or not. The goal is not to explain specific policy outcomes but rather when and how the Group resorts to cooperation with international organizations. Fourth, the ordinal scale of low-medium-high admittedly provides a rather crude assessment of the variations in the variables, but the two case studies that follow do provide first plausibility probes. Fifth, even though looking at two different issue areas should ensure some variation in the variables’ observations, the aim is not to explain why the G8 cooperates less in some fields and more in others by way of comparison. In other words, developments within cases over time are of primary interest. Sixth, the article does not study the workings of government networks per se, that is how they achieve internal consensus or how they formulate their policy position. Instead, the case studies provide chronological narratives of the G8 in global governance, in which the role of

23 If international secretariats are members of (vertical) government networks, “their distinctive resources tend to be information and an aura of international legitimacy” (Keohane & Nye, 1974: 52).
24 From an International Relations perspective, the perceived relevance of resources introduces a constructivist element. Moreover, legitimacy is socially constructed.
25 Regarding the two independent variables, the importance of resources weighs in more heavily than the Group’s power concentration because the G8 has no reason to cooperate with international institutions if it expects no benefits from doing so.
26 Baker (2006: 234–238) finds that in global financial governance the U.S. retains a pre-eminent position in the G7 but has been constrained by growing market authority and shared multilateral norms.
relevant government networks is illustrated, but not systematically examined. These caveats leave ample room for future research (see also chapter 5).

The next two chapters follow the analytical structure introduced above: they first set out the independent variables (assessing power and resources), leading to the formulation of a hypothesis, and then they describe the dependent variable (that is, G8 network governance) to find out whether the expectation holds.

3 Debt Relief for the Poorest Countries

The origins of the debt problems of the poorest developing countries, many of which belong to sub-Saharan Africa, date back to the 1970s (cf. Eberlei, 1999a: 56–85). The bilateral public debt mainly resulted from loans in the context of official development assistance (ODA) and failed public guarantees for commercial credits. The multilateral public debt grew out of loans from the World Bank, regional development banks and IMF credit facilities. The IMF, the World Bank and the Paris Club play a crucial role in debt management and maintain close relations with the Group of Eight. The IMF acts as a monitor of the world’s currencies and lends short-term money to members who face serious balance-of-payments deficits. The World Bank Group is one of the world’s largest sources of ODA. Through its loans, policy advice and technical assistance, it supports a broad range of programs aimed at reducing poverty and improving living standards. Its two main branches are the International Bank for Reconstruction and Development (IBRD), which provides loans and aid mainly to middle-income countries, and the International Development Association (IDA), established in 1960, which helps the poorest countries reduce poverty by offering interest-free loans and long maturities. In the informal so-called Paris Club, founded in 1956, the governments of the major creditor countries negotiate the bilateral debts of developing countries on a case-by-case basis.

Debt issues are dealt with at the G8 summits and at ministerial meetings.27 The tri-annual meetings of the finance ministers and central bank governors are prepared by the deputies, that is senior officials from the finance ministries and deputy governors of central banks, who meet between six and ten times a year. Baker (2006: 111–112) found that many G8 deputies had previously held the position of national IMF executive director or of senior staff at either the Fund, the World Bank, the Bank for International Settlements or the OECD. Many deputies also meet one another regularly in other international settings (e.g. OECD, G10). The annual G8 summits are prepared by the finance ministers, the sherpas and the financial sous-sherpas (usually the deputy-deputies, meeting two to three times a year).

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27 The Group maintains no own expert groups in the field of debt relief. Initially, finance ministers met annually at the summit site. The 1986 Tokyo summit officially set up the G7 finance ministers’ group as a separate entity that meets four or more times a year, usually attended also by the central bank governors and often by the Managing Director of the IMF.
3.1 Assessing Power and Resources in Debt Relief

In the field of debt management a high degree of issue-specific power must be attributed to the G7 as major creditor group.\textsuperscript{28} This is not surprising given the fact that since 1975 the Group’s share of the global gross domestic product has ranged between 60 and 67%, its portion of official net development assistance has accounted for three quarters of OECD aid, and its share of worldwide international reserves has varied between two fifths and one third, while only representing 13% of the world’s population.\textsuperscript{29}

The long-term outstanding debt of all developing countries has progressively increased from US$ 62.6 billion in 1970 to US$ 2,047.7 billion in 2000, of which the debt of the severely indebted low-income countries (SILIC) accounted for 18.7% (US$ 11.7 billion) in 1970 and 13.7% (US$ 279.7 billion) in 2000 (World Bank, 2002a: Summary Tables). The two groups’ debt composition has been quite different (cf. Table 1): the severely indebted countries rely much more on public creditors than on private ones, and they owe a much greater share to the multilateral institutions than the average of the developing countries.\textsuperscript{30}

From the countries that qualified for the so-called HIPC (highly indebted poor countries) initiative on debt relief launched in 1996 (see Section 3.2), over 80% of the debt is held by public creditors (cf. Table 2).\textsuperscript{31} While the HIPC’s debt of some US$ 170 billion (in 1996 dollars) is but a small fraction of the total debt of developing countries of more than US$ 2 trillion, it is, on average, more than four times the countries’ annual export earnings, and by far exceeds their annual gross national product (World Bank & IMF, 1999). In the early 1990s, Germany, Japan, France and the United States held about half of the HIPC’s debts and the World Bank about one fifth (Eberlei, 1999b: 13, 16). Similarly, Eurodad (2001) estimates for the year 2000 that the G7 countries held about 46.5% of the worldwide outstanding public debt stock of the HIPC\textsuperscript{s}.\textsuperscript{32}

With close to half of the votes in the Bretton Woods institutions, the G8 countries combine great institutional power. Each member state has a percentage of votes reflecting its quota which, in turn, reflects its weight in the world economy. The Boards of Governors comprise one governor appointed by each member state, usually a minister or, in case of the IMF, also the governor of the central bank. Decisions are taken in the form of resolutions by simple majority of the weighted votes cast, except on certain matters requiring a special majority. The day-to-day

\textsuperscript{28} Russia has pledged to repay its debts to the Paris Club in full by the end of 2006, and it has already prepaid debts to the IMF, owing to the soaring energy prices.

\textsuperscript{29} cf. World Bank, World Development Indicators; OECD Development Assistance Committee online database; and IMF, International Financial Statistics Yearbook, various years.

\textsuperscript{30} This article only considers debt owed to public creditors since governments or international organizations cannot forgive debts owed to private creditors.

\textsuperscript{31} The World Bank classification of SILICs is not completely identical with that of the HIPC\textsuperscript{s}, but there is a 90% overlap between the two groups.

\textsuperscript{32} International organizations such as the OECD or the Bretton Woods institutions publish statistics on the debts of individual countries but, unfortunately, no information on the individual creditors.
work is conducted by the Boards of Executive Directors. In these boards, all member states are represented but only the large members have their own executive directors, while the other countries are represented by one director per group. The executive directors, who are officials rather than politicians, are either appointed or elected and, like the governors, employ weighted voting. There are currently 24 executive directors: in the IBRD five are appointed by those countries having the largest quotas (the United States, Japan, Germany, France, and the United Kingdom) and 19 are elected by the other members; in the IMF the same five countries along with China, Russia and Saudi Arabia have their own seats and 16 are elected by the other members. Elections are held every 2 years. Ministries of finance usually issue instructions for their executive directors on the positions to be taken. Hence, “while the executive directors might handle day-to-day business, crucial strategic decisions are made by national finance ministers and the deputies” (Baker, 2006: 137). Kahler (2006: 258) finds that “executive directors for the major shareholders enjoy little autonomy.” And Fratianni and Pattison (2005: 291) argue that staff autonomy is restricted to areas of marginal interest to the G7 governments.

In the Fund, the G7’s combined voting power was 51.2% in 1975 and 46% in 2000 (48.8% with Russia). Together with The Netherlands, Belgium, Sweden and since 1984 Switzerland, the G7 forms the so-called Group of Ten, which basically constitutes a subgroup of the Paris Club. The G10 holds the absolute majority of votes in the Fund. Decisions normally require a simple majority. At least every 5 years the contributions to the Fund—its primary source of financing—are reviewed, requiring an 85% majority in the executive board. Since the United States alone hold around 17% of the votes, they may veto any capital increase or other major policy change. Hence, Fratianni and Pattison (2005: 282) argue that “nothing of substance in the IMF can take place without the approval of the G-7 countries.” And Rieffel (2003: 29) even claims that “the IMF is an instrument of the G-7 countries.”

In the World Bank Group, the G7’s voting power has also slightly decreased in the IBRD from 51.3% in 1975 to 43.2% in 2000 (46% with Russia) and in the IDA

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Table 1 Distribution of long-term external debt owed by all developing countries and by severely indebted low-income countries (in %)

<table>
<thead>
<tr>
<th>Year</th>
<th>Bilateral creditors</th>
<th>Multilateral creditors</th>
<th>Private creditors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All</td>
<td>SILIC</td>
<td>All</td>
</tr>
<tr>
<td>1970</td>
<td>42.0</td>
<td>67.5</td>
<td>11.7</td>
</tr>
<tr>
<td>1980</td>
<td>28.7</td>
<td>46.2</td>
<td>10.8</td>
</tr>
<tr>
<td>1990</td>
<td>33.6</td>
<td>47.1</td>
<td>17.6</td>
</tr>
<tr>
<td>2000</td>
<td>24.3</td>
<td>46.0</td>
<td>16.9</td>
</tr>
</tbody>
</table>


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33 cf. IMF, Annual Reports of the Executive Board, various years.
34 Obviously, if acting as a group, the G7 might exercise a veto as well.
from 55.8% in 1975 to 47% in 2000.35 IDA funds are donated by governments whose agreement is required for periodic replenishments, whereas the IBRD uses its capital stock as a basis for raising money in financial markets by selling bonds and other debt securities. The member governments’ guarantees allow the Bank to borrow at the lowest market rates, while the share of the paid-in capital subscriptions accounts for less than 5% of its funds.

In practice, the executive boards of the Fund and the Bank tend to operate by consensus and formal votes are rarely cast. However, “the voting power of members is taken into account in determining the extent of consensus on any issue” since the secretary of the board “keeps a tally of the extent of agreement, in voting power terms, making the voting structure a key ‘behind-the-scenes’ element in decision-making” (Woods, 2003: 111). Moreover, as Baker (2006: 93) argues, the IMF reflects the mindsets of “the finance ministries and central banks of the leading industrialized nations, whose views are most commonly articulated collectively through the G7 process, but who also represent their countries at IMF meetings.”

In the Paris Club, decisions are also taken by consensus.36 Other members of the Club could thus veto the implementation of G7 decisions, but this has never happened (Eberlei, 1999b: 11). The IMF participates in the debt rescheduling negotiations of the Paris Club and provides key analyses of the financial and economic situation of the debtor countries.37

The significance of the resources held by the IMF and the World Bank has varied over time. Since the beginning of summitry in 1975, the G7 states have in their statements regularly attached great importance to the provision of sufficient financial resources to the Bretton Woods institutions. As a typical example, the G7 stated at the 1980 Venice summit: “We strongly support the general capital increase of the World Bank, increases in the funding of the regional development banks, and the sixth replenishment of the International Development Association. We would

35 cf. World Bank, Annual Reports, various years.
36 Permanent members are the G7 countries, Austria, Australia, Belgium, Denmark, Finland, Ireland, The Netherlands, Norway, Spain, Sweden, Switzerland, and since 1997 Russia. Other creditors may join for specific negotiations. Since 1974 the Club maintains a secretariat in Paris (http://www.clubdeparis.org). Rescheduling for private debts takes place in the so-called London Club.
37 Statements may also be issued by the other observers (World Bank, OECD, UNCTAD, EU, regional development banks), but the IMF opinion is of crucial importance. Since 1966 an agreement with the IMF has been considered a precondition for rescheduling debts in the Paris Club.
welcome an increase in the rate of lending of these institutions.\textsuperscript{38} In fact, the portion of multilateral debts—and thus the importance of the institutions’ financial resources—has increased over time, at the expense of the shares of bilateral and private creditors (cf. Table 1), in particular as regards highly indebted poor countries (cf. Table 2). However, until the mid-1990s, these resources have been exempted from debt relief measures. The Bretton Woods institutions had been treated as preferred creditors in order not to jeopardize their refinancing mechanisms. The turning point came with the HIPC Initiative, which reflected the increased importance of the institutions’ financial resources. In addition, as set out below, the institutions’ information and expertise have been called for by the G8 on several occasions as well as its institutional infrastructure. The widely shared international agreement on the IMF’s economic expertise creates a legitimacy on which the G8 draws as well. Barnett and Finnemore (2004: 68) argue that “what makes the prescriptions of the Fund so authoritative is that they are undergirded by a body of economic analysis that is accepted by a large number of economists in many countries.”

By and large, the Group’s power concentration (in terms of relative creditor position and voting power) remained rather high over time. There has been more variation with regard to the (growing) importance of the resources of the IMF and the World Bank. As a result, the degree of cooperation between the G8 and the Bretton Woods institutions is expected to increase from a low level to a high degree in the mid-1990s. By contrast, the small Paris Club, dealing with bilateral public debts, is more likely to be a target of strong G8 demands (and thus of a high degree of cooperation) from early on. The following section investigates this hypothesis.

3.2 G7 Network Governance in Debt Relief

The first few summits did not directly discuss the debt problems of developing countries, but referred to related issues such as their balance-of-payments deficits and frequently emphasized that special attention should be given to the poorest developing countries. Moreover, the Group of Seven’s calls for more funding for the international financial institutions (IFIs) mainly took the form of self-commitments and sometimes of appeals to other countries to contribute more.

In 1982 Mexico, followed by other countries, had to ask for a rescheduling of its debts. This crisis mainly concerned debts owed to international banks, in particular U.S. banks. At the 1983 meeting in Williamsburg, the G7 called for effective adjustment by debtor nations and “adequate private and official financing” and encouraged “closer cooperation and timely sharing of information among countries and the international institutions.” It soon became clear that the commercial banks lacked the necessary resources and will to arrive at a coordinated solution. The Baker Plan of 1985 and the Brady Plan of 1989 put forward by the U.S. government foresaw a restructuring of commercial debts through new lending by the banks and

\textsuperscript{38} All G7/G8 documents subsequently cited are available at http://www.g8.utoronto.ca/summit or http://www.g8.utoronto.ca/meetings.html.
official credits. The Brady Plan entailed partial debt write-offs in various forms. These first attempts to secure a rescheduling of official obligations did not directly involve the G7 but were supported by the Group. The G7 slowly began drawing on the IFI’s resources of information, expertise and implementation capacities. The IMF assumed a more important role in debt management after it introduced the Structural Adjustment Facility (later Enhanced Structural Adjustment Facility ESAF) in 1986, which provided concessional financing to the poorest developing countries based on macroeconomic and structural adjustment programs.

In view of the growing debt crisis and the African famine, the Venice summit in 1987 for the first time addressed the “unmanageable debt burdens” of the severely indebted countries: “for those of the poorest countries that are undertaking adjustment effort, consideration should be given to the possibility of applying lower interest rates to their existing debt, and agreement should be reached, especially in the Paris Club, on longer repayment and grace periods to ease the debt service burden.” Hence, the G7 states began to encourage concessional rescheduling of public debts. They underlined the institutions’ expertise and implementation capacities (“We support the central role of the IMF through its advice and financing and encourage closer cooperation between the IMF and the World Bank, especially in their structural adjustment lending”) and urged to conclude the negotiations within the year. Since then, the debt problem of the poorest countries has been on the agenda of almost every summit (see Table 3).

At its Toronto summit in 1988, the G7 declared:

We have achieved consensus on rescheduling official debt of these [poorest] countries within a framework of comparability that allows official creditors to choose among concessional interests rates usually on shorter maturities, longer repayment periods at commercial rates, partial writeoffs of debt service obligations during the consolidation period, or a combination of these options. (...) The Paris Club has been urged to work out necessary technicalities to ensure comparability by the end of this year at the very latest.

The Paris Club implemented this demand and for the first time offered partial reductions to the poorest debtor nations. The “Toronto terms” included a reduction of 33.33% of non-ODA credits, while ODA claims were rescheduled at concessional interest rates. The 1990 Houston summit proposed new terms for lower middle-income countries, and in 1991 the G7 requested the Paris Club at its London summit to introduce a new treatment for the debt of the poorest countries:

We agree on the need for additional debt relief measures, on a case-by-case basis, for these countries, going well beyond the relief already granted under

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39 For example, in exchange for forgiving part of Mexico’s debt, the (reduced) principal and interest of the new bonds banks received were securitized by U.S. Treasury bonds.

40 At the 1989 Paris summit, for instance, the G7 leaders underlined that “banks should increasingly focus on voluntary, market-based debt and debt-service reduction operations, as a complement to new lending.”

41 The “Toronto terms” for the poorest debtor countries came close to the “Brady terms” earlier on offered to the middle-income debtor countries mainly from Latin America.
Table 3  The G7 and the global debt problem

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Description</th>
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<tbody>
<tr>
<td>1983</td>
<td>Williamsburg Summit</td>
<td>G7 recognizes the debt problem and formulates a strategy of debtors’ adjustment, new funds and no cancellation</td>
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<td></td>
<td></td>
<td>Paris Club increasingly reschedules debt, yet without cancellations; precondition is an IMF structural adjustment program</td>
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<tr>
<td>1987</td>
<td>Venice Summit</td>
<td>G7 encourages concessional rescheduling for poorest countries</td>
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<td></td>
<td></td>
<td>Paris Club offers poorest countries interest rates below market level and long-term rescheduling (precondition IMF agreement); IMF introduces Structural Adjustment Facility</td>
</tr>
<tr>
<td>1988</td>
<td>Toronto Summit</td>
<td>G7 agrees for poorest countries on partial forgiveness, longer maturities and lower interest rates</td>
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<tr>
<td></td>
<td></td>
<td>Paris Club introduces “Toronto terms” (up to 33% cancellation)</td>
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<tr>
<td>1990</td>
<td>Houston Summit</td>
<td>G7 requests Paris Club to do more for the lower middle-income countries</td>
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<tr>
<td></td>
<td></td>
<td>Paris Club introduces “Houston terms” for lower middle-income countries</td>
</tr>
<tr>
<td>1991</td>
<td>London Summit</td>
<td>G7 agrees on additional debt relief measures</td>
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<tr>
<td></td>
<td></td>
<td>Paris Club introduces “London terms” (up to 50% cancellation)</td>
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<tr>
<td>1992</td>
<td>Munich Summit</td>
<td>G7 asks IMF to continue ESAF</td>
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<td>IMF enlarges and extends the Enhanced Structural Adjustment Facility</td>
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<td>1994</td>
<td>Naples Summit</td>
<td>G7 demands additional debt cancellations for poorest countries</td>
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<tr>
<td></td>
<td></td>
<td>Paris Club introduces “Naples terms” (up to 67% cancellation)</td>
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<tr>
<td>1995</td>
<td>Halifax Summit</td>
<td>G7 addresses debt held by multilateral creditors and demands a “comprehensive approach”</td>
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<td>1996</td>
<td>Lyon Summit</td>
<td>G7 requests the Bretton Woods institutions to work out details of HIPC initiative and the Paris Club to go beyond “Naples terms”</td>
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<td></td>
<td>Paris Club introduces “Naples terms” for non-HIPCs and IMF to develop specific poverty reduction plans</td>
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<tr>
<td>1999</td>
<td>Cologne “Debt” Summit</td>
<td>G7 calls for 100% of bilateral ODA debts and 90% of their pre-cut off date export credits and asks the Paris Club to offer “Naples terms” for non-HIPCs and IMF and World Bank to develop specific poverty reduction plans</td>
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<tr>
<td></td>
<td></td>
<td>World Bank and IMF launch HIPC initiative; Paris Club accepts HIPC initiative and introduces “Lyon terms” (up to 80% cancellation in individual cases)</td>
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<tr>
<td>1998</td>
<td>Birmingham Summit</td>
<td>G7 supports extension of debt relief to more countries</td>
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<td>IMF and World Bank expand eligibility of HIPCs</td>
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<td>2000</td>
<td>Okinawa Summit</td>
<td>G7 urges further HIPC implementation and debt cancellation for at least 20 countries</td>
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<td>IMF and World Bank achieve debt relief for 22 countries</td>
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<td>2002</td>
<td>Kananaskis Summit</td>
<td>G7 requires the Bretton Woods institutions to provide documentation and bring in more creditors; G7 promises more funds</td>
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<td>IMF and World Bank support G7 requests</td>
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<td>2003</td>
<td>Evian Summit</td>
<td>G7 requires the Bretton Woods institutions to provide documentation and bring in more creditors; G7 finance ministers agree on a new approach for non-HIPCs</td>
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<td></td>
<td>Paris Club adopts “Evian approach” for non-HIPCs</td>
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<tr>
<td>2004</td>
<td>Sea Island Summit</td>
<td>G7 requires extension of HIPC initiative for another 2 years</td>
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<td>IMF and World Bank achieve debt relief for 27 countries and extend the HIPC “sunset clause”</td>
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<tr>
<td>2005</td>
<td>Gleneagles Summit</td>
<td>G7 agrees to cancel 100% of outstanding debts of eligible HIPCs to the IMF, IDA and African Development Fund and to provide additional resources to ensure that the financing capacity of the IFIs is not reduced</td>
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<tr>
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<td>IMF and World Bank launch Multilateral Debt Relief Initiative; in the first round up to 19 HIPCs qualified for full multilateral debt cancellation</td>
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Toronto terms. We therefore call on the Paris Club to continue its discussions on how these measures can best be implemented promptly.

The “London terms” raised the level of debt cancellation from one third to 50%. One year later, the 1992 Munich summit called “for an early decision by the IMF on the extension for one year of the Enhanced Structural Adjustment Facility and for the full examination of options for the subsequent period, including a renewal of the facility.” The ESAF was subsequently enlarged and extended by the Fund. At the Naples summit in 1994, the G7 governments agreed to “encourage the Paris Club to pursue its efforts to improve the debt treatment of the poorest and most indebted countries,” favoring “a reduction in the stock of debt and an increase in concessionality for those countries facing special difficulties.” The G7 agreed “to explore ways to mobilize more effectively the existing resources of the international financial institutions to respond to the special needs of countries emerging from economic and political disruption and the poorest most indebted countries.” Under the “Naples terms,” indebted countries were given up to 67% debt relief. The Paris Club agreed to these terms.

By 1994, the threat to the international banking system from the indebtedness of a number of middle-income countries had decreased, but for some 40 severely indebted countries, many in sub-Saharan Africa, there remained little or no prospect of them fully repaying their external debts. These countries were mainly indebted to public creditors and to multilateral institutions. The G7 was thus steadily expanding its requests for debt relief since the late 1980s, and the bilateral creditors in the Paris Club followed suit. At the same time, the proportion of debt and debt service owed to the multilateral institutions rose “because they had been active in negotiating programs, there was a resurgence of interest in economic reform in many countries, and other lenders had cut back on business with what were mostly uncreditworthy countries” (Evans, 1999: 273). The IMF and the development banks, in particular the World Bank, enjoyed a preferred creditor status and did not participate in debt relief. At the Halifax summit in 1995, the G7 therefore turned to the multilateral creditors and encouraged

- The Bretton Woods institutions to develop a comprehensive approach to assist countries with multilateral debt problems, through the flexible implementation of existing instruments and new mechanisms where necessary;
- Better use of all existing World Bank and IMF resources and adoption of appropriate measures in the multilateral development banks to advance this objective and to continue concessional ESAF lending operations.

The Lyon summit one year later required “additional action, in particular to reduce debts owing to multilateral institutions and other bilateral creditors that are not members of the Paris Club.” More precisely, it looked to the Bretton Woods institutions to find a concrete solution being agreed by next Autumn at the latest on the following basis:

- The solution should provide an exit for unsustainable debt and be based on a case-by-case approach adapted to the specific situation of each country concerned, once it has shown its commitment to pursuing its economic adjustment;
The continuation of ESAF will provide the basis for a reduction in the burden of the debt to the IMF for these countries;

- We (...) look to the World Bank together with the Regional Development Banks to develop practical funding mechanisms for treating debt owed to these institutions;
- As concerns bilateral credits, we (...) urge the Paris Club creditor countries, where they deem appropriate, on a case-by-case basis, to go beyond the Naples terms for these countries.

The Group intended to primarily use resources held by the Fund for the financing of ESAF and suggested that “the IMF should consider optimizing its reserves management in order to facilitate the financing of ESAF.”

At the annual meeting of the World Bank and the IMF later in 1996, the so-called HIPC Initiative for highly indebted poor countries was adopted.\(^{42}\) For the first time, bilateral and multilateral public creditors were merged in a “comprehensive” initiative to reduce debts to sustainable levels for poor countries that pursue economic and social policy reforms. Considering the growing importance of the institutions’ resources, the G7 had turned to the Bretton Woods institutions, whereas previously it had primarily addressed bilateral creditors. At the same time, the members of the Paris Club accepted raising the level of cancellation up to 80% for the HIPCs (“Lyon terms”). The costs of the initiative are divided approximately in half between bilateral and multilateral creditors. Among the multilateral creditors, the World Bank and IMF account for the largest shares of total costs. They receive their money from a newly created HIPC Trust Fund whose contributions come from participating multilateral creditors and bilateral donors. It can prepay or purchase a portion of the debt owed to a multilateral creditor and cancel such debt or pay debt service (hence, formally the debts are not dropped but paid by third actors).

The Birmingham summit in 1998 pledged itself “to support the speedy and determined extension of debt relief to more countries” and to “work with the international institutions and other creditors to ensure that when they qualify, countries get the relief they need.” The next important step was taken a year later at the “debt summit” in Cologne, at which the G8 countries called “for an expanded initiative that will provide faster, broader and deeper debt relief.” They made very strong and specific requests, asking

the Paris Club and other bilateral creditors to forgive commercial debt up to 90 percent and more in individual cases if needed to achieve debt sustainability, in particular for the very poorest among these countries. In addition to these amounts, we call for full cancellation on a bilateral basis, through various options, of Official Development Assistance (ODA) debt. For poor countries

\(^{42}\) The initiative is open to the poorest countries that: (1) are eligible only for highly concessional assistance such as from the IDA and the IMF’s ESAF; (2) face an unsustainable debt situation even after the full application of traditional debt relief mechanisms; and (3) have a proven track record in implementing strategies focused on reducing poverty and building the foundation for sustainable economic growth. In 1996, 41 countries were eligible under the HIPC initiative. See http://www.worldbank.org/debt and http://www.imf.org/external/np/hipc.
not qualifying under the HIPC Initiative, the Paris Club could consider a unified 67 percent reduction under Naples terms and, for other debtor countries, an increase of the existing limit on debt swap operations. (...) To meet the IMF’s costs, the Fund should mobilize its resources, while maintaining an appropriate level of reserves, through the use of premium interest income, the possible use of reflows from the special contingency account or equivalent financing, and the use of interest on the proceeds of a limited and cautiously phased sale of up to 10 million ounces of the IMF’s gold reserves.

On this basis, the Group called on the Bretton Woods institutions and the Paris Club “to ensure that three quarters of eligible countries have reached their decision point by the year 2000,” and “concrete proposals should be agreed by the time of the next Annual Meetings of the IMF and the World Bank.” Finally, “the Köln Debt Initiative should be built on an enhanced framework for poverty reduction, developed by the IFIs in consultation with other institutions and with civil society.” The Cologne package included US$ 20 billion of debt relief on ODA loans, US$ 30 billion on outstanding export credits, which had previously been offered under Naples terms, and US$ 50 billion of debt relief provided under the HIPC initiative. In effect, the Cologne initiative increased the total amount of debt relief available from about US$ 53 billion to US$ 100 billion in nominal terms. Even though debt relief remained linked to structural adjustment programs, it included poverty reduction as a new goal. At the annual meeting in September 1999, the IMF and the World Bank followed the G8 request and significantly expanded the HIPC initiative to provide greater debt relief to more countries faster. The Fund’s ESAF was replaced by the Poverty Reduction and Growth Facility (PRGF), a low-interest lending facility for poor countries which is more clearly focused on economic growth and poverty reduction and closer cooperation with the World Bank.

In the following years, the G8 monitored the implementation of this “HIPC2 initiative” and tackled some of its problems. It turned out, for instance, that the number of “three quarters of eligible countries”—about 30 countries—reaching the decision point was too ambitious. At the Okinawa summit 2000, the G8 countries reaffirmed their commitment to provide 100% debt reduction of ODA claims, and newly committed to 100% reduction of eligible commercial claims. The Group promised to “work expeditiously together with HIPCs and the IFIs to realise the expectation that 20 countries will reach the Decision Point within the framework of the Enhanced HIPC Initiative by the end of this year.”43 In December 2000, the Bretton Woods institutions announced that 22 countries benefited from debt relief.

At the time of the 2002 summit in Kananaskis, the number of beneficiary countries had risen to 26. As the expected financing needs had not been fully met, the Group promised to fund its share of the shortfall in the enhanced HIPC initiative, “recognizing that this shortfall will be up to US$ 1 billion.” In the light of continued implementation problems, the Evian summit 2003 again drew on the institutions’

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43 Reaching the decision points means that all creditors commit to a debt relief (to be delivered at the completion point) in order to bring the debt to a sustainable level.

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infrastructure and “asked the IMF and the World Bank to identify, by their next Annual Meetings, the specific impediments in each country and the steps that need to be taken to tackle them; (...) urged the IMF and the World Bank to intensify their efforts to secure the full participation of all creditors.” Before the summit, the G7 finance ministers had reached agreement on a new Paris Club approach for non-HIPC low- and middle-income countries. This “Evian approach” was a few months later adopted by the Club and aims to take into account debt sustainability considerations, to adapt its response to the financial situation of the debtor countries, and to make a contribution to the efforts to make the resolution of crises more orderly, timely and predictable.

In early 2004, 27 HIPC countries had reached their decision points. The costs of US$ 34.7 billion were equally divided between bilateral and multilateral creditors, the G7 countries accounting for 26%, the World Bank for 23% and the IMF for 8%. With regard to the most indebted countries, the Bretton Woods institutions thus caught up with the Group of Seven and henceforth share the burden. At the 2004 summit in Sea Island, the G8 heads of state and government asked their finance ministers to “work with other donors and the international financial institutions to extend the sunset date of the HIPC initiative until December 31, 2006 and to provide the necessary financing for completion of the initiative.” In September 2004, the IDA and the IMF decided to extend the “sunset clause.”

Inspired by the agenda of the United Nations’ Millennium Development Goals, the 2005 summit in Gleneagles focused in particular on Africa, with media attention heightened by further plans for bilateral and multilateral debt relief and by the Live8 concerts in all the G8 countries plus South Africa calling to “make poverty history.” In their June 2005 meeting, the finance ministers announced that

Donors agree to complete the process of debt relief for the Heavily Indebted Poor Countries by providing additional development resources (...), while ensuring that the financing capacity of the IFIs is not reduced. This will lead to 100 per cent debt cancellation of outstanding obligations of HIPCs to the IMF, World Bank and African Development Bank.

At the summit a few weeks later, the heads of state agreed to double aid for Africa by 2010 and to cancel all of the outstanding debts owed by eligible HIPCs to the IMF, IDA and African Development Fund. The deal covered 18 HIPCs which have already reached the completion point and for which most creditors had agreed to fully write off the bilateral debts.

The IFIs agreed to the G8 proposal of debt forgiveness once it was clear that their lending capacities would be protected. The day before the annual meeting of the Bretton Woods institutions in September 2005, the G8 finance ministers had

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44 In addition, about 70% of the bilateral donor pledges to the HIPC Trust Fund came from the G7 (IMF & IDA, 2004).
45 The Millennium goal to develop “a global partnership for development” calls for an enhanced program of debt relief for heavily indebted poor countries and cancellation of official bilateral debt.
46 The African Development Fund provides development finance on concessional terms to member countries which are unable to borrow on the normal terms of the African Development Bank.
reiterated their promise to “remain committed to fully financing this relief on a fair burden share basis.” The Multilateral Debt Relief Initiative (MDRI) provides for 100% debt relief from the IMF, the IDA and the African Development Fund to countries that have reached, or will eventually reach, the HIPC completion point. In December 2005, the IMF Executive Board determined that 19 countries qualified for MDRI relief (IMF, 2005). In March 2006, the IDA found 17 HIPCs eligible for additional debt cancellation (World Bank, 2006). At the same time, 29 countries had reached their decision points, and a total of US$ 41.3 billion (2005 net present value) in debt relief had been committed to them (IMF & IDA, 2006). The 18 countries that have reached their completion points account for 64% of HIPC assistance.

These findings support Baker’s (2006: 242) claim that “the G7 does sit at the apex of the diverse specialist committees and networks that populate the domain of global financial governance,” even if the day-to-day work is conducted elsewhere. The Group relies on this more detailed work and draws on the respective institutions’ resources without dictating to them. “The G7 can of course prioritize and selectively promote the lessons and findings of these committees and bodies, but the relationship is best characterized as one of mutual dependence” (ibid.). In the early summit years, cooperation has been low or non-existent. Yet since the emergence of the “debt crisis” on the international agenda, G8 treatment of debt relief for the poorest countries has developed in four stages: from a reluctant recognition of the problem in the 1980s via an increasing cancellation of bilateral debts to an involvement of multilateral creditors in the mid-1990s and towards full debt cancellation for HIPCs 10 years later (cf. Table 3). The G8 demands have over time become more and more specific, reflecting the growing importance of the institutions’ resources. They have in general been more intense towards the Paris Club (often “urging” it to do something) than towards the Bretton Woods institutions (usually “encouraging” them to undertake certain actions). The international financial institutions have shown a remarkable degree of “compliance” with G8 requests and a growing degree of cooperation with the Group. The result of this case is a strong and clear “policy export” from the G8 to the Paris Club (a high degree of cooperation since the 1980s), but only extended policy coordination and, since the mid-1990s, a weaker form of policy export towards the Bretton Woods institutions (hence a move from a low to a high degree of cooperation). Even though the finance ministers have been taking on a more important role in the G8 process, they “cannot impose their will on other bodies and authorities,” but “through continuous networking, persuasion and deliberations they attempt to set agendas in global financial governance” (Baker, 2006: 10). This effort has proved easier in smaller institutions than in larger ones.

47 Unfortunately, Baker spends only four pages on official debt relief in his pioneering book on the G7’s role in global financial governance, even though he considers it “an area in which the finance ministries have had most scope to take action independently of other actors” (Baker, 2006: 222).
4 Combating the Financing of Terrorism

Terrorism is not a new phenomenon, but since the 1990s it has acquired new forms and produced new types of actors. In contrast to the “conventional” terrorist group of the past, these terrorists are often part of amorphous, indistinct organizations operating on a linear rather than hierarchical basis and on an international level, with less easily identified objectives and more willing to afflict vast populations and to use new tactics and means such as weapons of mass destruction (i.e., nuclear, biological and chemical weapons) or cyberterrorism (e.g. penetrating air traffic control systems to make planes collide) (Hirschmann, 2000). In other words, many terrorist networks have “profited” from globalization effects (e.g. travel facilitation, capital mobility, communication technologies). Besides, terrorist attacks are relatively cheap in terms of the necessary materials and funds. As a result, international terrorism, that is terrorist acts involving citizens or the territory of more than one country, has increasingly been perceived as a global threat.

Terrorism has been defined in many different ways. In fact, the UN’s work on international terrorism has for many years been hampered due to the lack of an agreed definition (cf. Wüstenhagen, 2003). A frequently cited, lengthy academic definition which resulted from a coordination effort among many scholars is offered by Schmid and Jongman (1988: 28):

Terrorism is an anxiety-inspiring method of repeated violent action, employed by (semi-)clandestine individual, group or state actors, for idiosyncratic, criminal or political reasons, whereby—in contrast to assassination—the direct targets of violence are not the main targets. The immediate human victims of violence are generally chosen randomly (targets of opportunity) or selectively (representative or symbolic targets) from a target population, and serve as message generators. Threat- and violence-based communication processes between terrorist (organization), (imperiled) victims, and main targets are used to manipulate the main target (audience(s)), turning it into a target of terror, a target of demands, or a target of attention, depending on whether intimidation, coercion, or propaganda is primarily sought.

The G8 summits have from their beginnings discussed the risks of nuclear proliferation and safety, but only after the end of the Cold War has the proliferation of weapons of mass destruction become a priority (cf. Neuneck, 2000). In the wake of the collapse of the former Soviet Union, the Group perceived the risk of a possible symbiosis of terrorism and weapons of mass destruction. At the same time, issues of transnational organized crime, including drug trafficking and money laundering, emerged on the G8 agenda. All these matters are interrelated, yet the focus here is on the G8’s fight against the financing of international terrorism. Financial issues are the Group’s “home turf” and consequently efforts to contribute to global governance in this field are more more likely. It should be kept in mind that even though money laundering and terrorist financing are both secretive financial activities on a global scale, the latter differs from the usual money laundering pattern (where criminals have to find a way to launder their illicit profits), because terrorist financing includes legal as well as illegal sources of funds (see von Furstenberg, 2005).
The major international institutions involved in combating money laundering and terrorist finance are the United Nations and the Financial Action Task Force at the OECD. The G8 has established several own expert groups, set out in Section 4.2, and terrorism-related issues are discussed at different ministerial meetings as well as by the foreign ministries’ political affairs directors.

4.1 Assessing Power and Resources in Combating Terrorist Finance

The G8 states’ “issue-specific power” is difficult to assess due to a lack of reliable data, especially regarding the extent to which they are a source of terrorism. It seems safe to claim that most international terrorists are not citizens of these countries nor do their funds primarily stem from them. By their very nature, terrorist financing and money laundering occur outside of the normal economic statistics, but rough estimates have been put forward to give some sense of scale to the problem. According to the IMF, for example, money laundering represents between 2 and 5% of the world’s gross domestic product, which is between US$ 590 billion and US$ 1.5 trillion for 1996.48 The lower figure is roughly equivalent to the value of the total output of an economy the size of Spain. It is difficult to say what the share of the G8 might be, in particular regarding the origins of dirty money, but also with regard to the involvement of their financial centres in the laundering process. With the exception of Russia, the Group of Eight consists of functioning democracies with relatively tight money laundering regulations.49

Even as a target of international terrorism, the Group of Seven has not been very prominent (except for the devastating impact of 9/11). According to the U.S. Department of State, the number of international terrorist attacks by region has since 1975 been very low in North America, but rather high in Western Europe and Latin America.50 However, while many incidents of terrorist attacks have been reported in Western Europe, the number of casualties in Asia (and the Middle East) have been much higher. If we treat North America plus Europe as an approximation for the Group, between 1991 and 2003 the area suffered about one quarter (27.8%) of all international terrorist attacks and one fifth (22.4%) of all casualties (yet only 11.4% without the victims of 9/11). Another source, the MIPT Terrorism Knowledge Base, confirms these estimates: for the years 1975 to 2005, where the G7 share of all international incidents was about 19% (G8 19.5%) and the G7 share of all fatalities was approximately 29.2% (G8 30.5%).51 Hence, whether as a source or as a target of international terrorism, one might crudely attribute this group of industrialized nations a still low degree of “issue-specific power.”

49 The G7 countries rank low on the Corruption Perceptions Index provided by Transparency Internationalhttp://www.transparency.org/cpi).
50 U.S. Department of State, Patterns of Global Terrorism, various years.
51 http://www.tkb.org
In the United Nations and in the OECD each member state has one vote. In the UN General Assembly, decisions on important questions, such as those on peace and security, admission of new members and budgetary matters, require a two thirds majority, while decisions on other questions (adopted with or without a vote) are reached by a simple majority. Hence, the number of votes of the G8 states has decreased in relative terms as UN membership has grown, from 145 countries in 1975 to 191 members today. Yet, four G8 members are permanent members of the UN Security Council, where they enjoy a right of veto. In matters of security, they may therefore exercise more influence, whereas in the Assembly—which is the focus here—their formal voting power is very small. As to the UN budget, the G8 share has since 1975 ranged between 60% and two thirds. Its potential “real” voting power in the UN is thus higher than the formal votes, but still limited.

Decisions in the OECD are made by mutual agreement of all members. Their number has grown from 24 states in 1975 to 30 today. The Russian Federation is still not a member of the OECD. As national contributions to the annual budget are based on a formula related to the size of each member’s economy, the G7 budget share has for the past 30 years been at a rather stable and high 80%. The FATF is an intergovernmental body housed by the OECD, but not formally part of the organization. Where their efforts complement each other, such as on bribery and corruption or the functioning of the international financial system, they consult and exchange information. The Task Force was established in 1989 and its mandate has been renewed several times. Its membership has expanded to currently 30 countries plus Hong Kong—among them all members of the Group of Eight (Russia only since 2003)—and two regional bodies (European Commission, Gulf Cooperation Council). Decision-making within the FATF is also based on consensus. The presidency of the FATF is a one-year position held by a high-level government official appointed from among the FATF members. A small secretariat services the Task Force and assists the president. The costs of the secretariat and other services are met by the FATF budget, using the OECD as the channel for these operations. Members contribute according to the OECD scales and may also make voluntary contributions.

In sum, the institutional power held by the G7 countries in the UN General Assembly is rather low, in the OECD and FATF of a medium scale. In combination with a low degree of “issue-specific power,” the power concentration tends to be of a low to medium level.

The institutions have, over time, developed considerable resources. The United Nations have dealt with issues of terrorism since 1963 (cf. Wüstenhagen, 2003). The UN has continuously built up its expertise and infrastructure on counter-terrorism: actions by the Security Council (and its Counter-Terrorism Committee established in 2001), reports and resolutions by subsidiary bodies of the Economic and Social

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52 cf. UN, Yearbook of the United Nations, various years. In the long run, it seems unlikely that the richest members finance decisions against their own interests taken by a majority of developing countries in the UN General Assembly. In the informal “Geneva Group” the 14 largest contributors to the UN and UN specialized agencies—among them all G8 countries—monitor the budgets to which they contribute over 80%.

53 Information provided by the OECD Budget and Finance Service.
Council and by the General Assembly (and its Ad Hoc Committee on Terrorism), statements and reports by the Secretary-General, programs of the UN Office on Drugs and Crime (UNODC) established 1997 in Vienna, a series of specialized organizations (e.g., the International Civil Aviation Organization, the International Maritime Organization, or the International Atomic Energy Agency IAEA), as well as the UN conventions on terrorism. Except for the conventions on taking hostages and hijacking, all major UN conventions in this field have been adopted since the late 1980s.54 As a universal organization, the United Nations have acquired unique legitimacy, providing internationally recognized legal instruments and norms.

The OECD is foremost a forum to discuss and develop economic and social policies for countries committed to market economy and democracy. Its secretariat in Paris is an important provider of information and analysis and one of the world’s largest sources of comparable statistical data. The OECD’s main resources are therefore information and expertise that help governments shape policies which may lead to a formal agreement or be acted on in domestic or international fora. The major function of the FATF is the setting of international standards. Moreover, Gilligan (2004: 21) argues that “as international organisations such as the FATF, the FSF and the OECD assume a higher profile in how international regulatory financial infrastructures are constructed, there is an increasing emphasis on the legitimacy of the specific processes involved.” Even though being far from universal, these institutions may exert pressure on offshore financial centres or other jurisdictions by blacklisting them. Such “naming and shaming” initiatives stigmatize the countries concerned. The FATF, for instance, has issued lists of “Non-Co-operative Countries and Territories” (NCCTs) and suggested punitive measures against recalcitrant jurisdictions.

The 1990s have seen an increasing importance of expertise on money laundering and terrorist finance as well as a search for more international recognition and legitimacy. The institution’s resources were perceived as being rather low until the end of the 1980s, but of a medium level for money laundering in the 1990s and since 2001 even high for terrorist finance. The G8’s efforts in cooperating with international organizations are thus expected to have increased in recent years.

4.2 G8 Network Governance in Combating Terrorist Finance

The Group of Seven for the first time addressed terrorism at its Bonn summit in 1978. “The idea arose in informal discussions over lunch and appealed to the summiters, several of whom recently had endured airline hijackings and domestic terrorist episodes” such as RAF terrorism in Germany and the hijacking of a Lufthansa airplane in the fall of 1977 (Putnam & Bayne, 1987: 87). Hence, “in cases where a country refuses extradition or prosecution of those who have hijacked an aircraft and/or do not return such aircraft, the Heads of State and Government are jointly resolved that their governments shall take immediate action to cease all flights to that country.” One year later, diplomatic hostages were taken at the American embassy in Tehran. At the Venice summit in 1980, the G7 jointly condemned such
terrorist acts. These political proclamations focused on very narrow topics and represented hardly more than ad hoc reactions without any specific commitments. In the subsequent years, the G7 took no concrete follow-up action on terrorism, but its statements became more detailed at the summits of Ottawa in 1981 and London in 1984, listing possible terrorist means and calling for closer cooperation between relevant national authorities and through international organizations.

It was not until the Tokyo summit in 1986 that the G7 took its first step to develop a more proactive strategy against terrorism after a worldwide rise in kidnappings, hostage-taking, hijackings and bombings.

Recognizing that the continuing fight against terrorism is a task which the international community as a whole has to undertake, we pledge ourselves to make maximum efforts to fight against that scourge. Terrorism must be fought effectively through determined, tenacious, discreet and patient action combining national measures with international cooperation. Therefore, we urge all like-minded nations to collaborate with us, particularly in such international fora as the United Nations, the International Civil Aviation Organization and the International Maritime Organization, drawing on their expertise to improve and extend countermeasures against terrorism and those who sponsor or support it.

Specific measures were adopted with regard to states which sponsor or support terrorism (e.g., the refusal to export arms, stricter limits on diplomatic missions, improved extradition and visa procedures), and the Group agreed “to work in the appropriate international bodies to which we belong to ensure that similar measures are accepted and acted upon by as many other governments as possible.” Furthermore, the G7 created its own Counter Terrorism Experts Group—since 2001 known as the “Rome Group”—to evaluate terrorist threats and to recommend actions to combat them (Belelieu, 2002: 12).

The following three summits—Venice, Toronto and Paris—basically repeated previous statements, in particular with regard to the safety of civil aviation (inter alia due to the bombing of an airplane over Lockerbie). The 1989 Paris summit mainly focused on drug issues since the drug problem had reached alarming proportions. The G7 promised to strengthen the role of the United Nations and convened the Financial Action Task Force to suggest measures to combat money laundering. It seems likely that the G7 preferred to create the FATF as an external forum in the realm of the OECD instead of relying on the global UN system in order to dispose of a smaller, more flexible and controllable instrument. It thus “delegated” a task to a new body with a certain degree of autonomy and a broader membership. In 1990, the FATF issued Forty Recommendations that came to serve as the international anti-money laundering standard. In the following years, “the FATF has constantly sought to extend the scope of anti-money laundering measures geographically, sectorally, and functionally” (Williams, 2001: 124). The building of a worldwide anti-money laundering network includes in particular the broadening of FATF membership, the creation of similar regional groupings and the enlargement of the FATF’s mandate.

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55 Many years later, the UNODC has in 1997 established a Global Programme against Money Laundering and in 2002 a Global Programme against Terrorism.
In the early 1990s the G7’s attention turned to other political and economic developments, in particular the transformation and integration of Russia. During this period, the G7 area escaped major terrorist attacks, with the exception of the first bombing of the World Trade Center in 1993. Only the 1990 Houston Statement on Transnational Issues reaffirmed the Group’s resolve to combat terrorism. At this summit, the heads of state and government urged other countries to accede to the UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. They fully endorsed the FATF report and reconvened the Task Force for a second year to monitor the implementation of its recommendations. The 1991 London summit decided to make the FATF operate on a continuing basis with a secretariat supplied by the OECD.

Hitherto, the issue of non-proliferation, which had gained in prominence after the collapse of the Soviet Union, had not been linked to terrorism. In 1995, however, when the Aum Shinrikyo sect attacked the Tokyo subway with sarin nerve gas, resulting in 12 deaths and more than 5,000 injured, and when the bombing in Oklahoma City killed 166 persons, terrorism made a comeback at the summit of Halifax. According to the chairman’s statement, the G8 countries

attach particular importance to measures to impede the ability of terrorist organizations to raise funds, and urge other governments to strenuously enforce laws against terrorist activity and join existing treaties and conventions against terrorism. In pursuit of these shared aims, we charge our terrorism experts group to report to a ministerial level meeting on specific, cooperative measures to deter, prevent, and investigate terrorist acts.

Based on the work of the expert group, the first ministerial meeting on terrorism took place in Ottawa in December 1995. It announced its determination to “work in all organizations of the UN family, the General Assembly and all other appropriate fora to identify and adopt practical measures to fight terrorism, including where necessary legal instruments” and “to continue to provide leadership on this issue to the international community, using bilateral and multilateral measures and agreements to counter terrorism” on the basis of the following guidelines:

- Calling on all States to strive to join existing international treaties on terrorism by the year 2000;
- Promoting mutual legal assistance and extradition;
- Strengthening the sharing of intelligence and information on terrorism;
- Pursuing measures to prevent terrorist use of nuclear, chemical and biological materials;
- Urging all States to refuse to make substantive concessions to hostage takers and to ensure those responsible are brought to justice;
- Inhibiting the movement of terrorists and enhancing measures to prevent the falsification of documents;
- Strengthening protection of aviation, maritime and other transportation systems against terrorism;
- Countering terrorist attacks against public facilities and infrastructures;
- Depriving terrorists of funds; and
- Increasing counter-terrorism training and assistance.
The 1996 Lyon summit took place just after a terrorist attack on American servicemen in Saudi Arabia, yielding the G8 statement that “we consider the fight against terrorism to be our absolute priority, and reiterate the necessity for all States to adhere to the relevant international conventions.” The discussions at the summit lead to the Agreement on 25 Measures on Combating Terrorism at the Paris Ministerial Conference on Terrorism. The agreement focused on both national measures and international agreements to combat terrorism as well as on the financing of terrorist networks. The Denver summit in 1997 decided “to intensify diplomatic efforts to ensure that by the year 2000 all States join the international counterterrorism conventions specified in the 1996 UN resolution on measures to counter terrorism.” In a review of the implementation of the 25 measures, the summit pointed to its own successful initiatives like “drafting and negotiating a UN convention on terrorist bombing; promoting improved international standards for airport security, explosives detection, and vehicle identification; promoting stronger laws and export controls on the manufacture, trade and transport of explosives; initiating a directory of counter-terrorism competencies; inviting all States to promote the use of encryption which may allow, consistent with OECD guidelines, lawful government access to combat terrorism.” Moreover, the UN International Convention for the Suppression of the Financing of Terrorism adopted in 1999 goes back to a G8 initiative. “While the G8 was the form in which the discussions yielded the initiative, it was able to pass the recommendation down to the UN, whose ability to codify the agreement was instrumental in making this G8 initiative an integral part of international law” (Belelieu, 2002: 24). This extended policy coordination required a lot of discussions and persuasion efforts in the UN General Assembly.

Since the mid-1990s the G8 has engaged in “the gradual construction of a multi-level counter-terrorist machinery involving ministers and terrorism experts capable of devising new strategies and implementing complex agreements” (Belelieu, 2002: 13). While the foreign ministers mainly dealt with the political aspects of terrorism and international cooperation (inter alia within the UN), the finance ministers focused on terrorist financing and the justice and interior ministers handled legal issues such as extradition. In addition, a Senior Experts’ Group on Transnational Organized Crime was established at the Halifax summit in 1995. It became known as the “Lyon Group” since its first catalogue of 40 operative recommendations to combat transnational organized crime was approved at the Lyon summit 1 year later.56

In the late 1990s, the bulk of G8 discussions took place on these ministerial levels which also served as a bridge between the summits and the experts, translating expert recommendations into statements that were then adopted by the heads of state and government. A series of experts meetings and counter-terrorist conferences were held (Belelieu, 2002: 18f). From 1997 to 2001 terrorism was not a major topic at the summits themselves. At the Okinawa summit 2000, the G8 heads of state and government reaffirmed their “support for the adoption by the end of 2000 of the United Nations

56 The summit also gave the group an open-ended mandate to implement the recommendations in the G8 states and, where possible, throughout the world. The Lyon Group has since developed numerous specialized sub-working groups which are involved in preparing the meetings of the G8 justice and interior ministers and report to the summits from which they receive new tasks.
Transnational Organised Crime Convention,” resulting from an initiative by the Lyon Group, welcomed the adoption of the International Convention for the Suppression of the Financing of Terrorism and once more called “for all states to become parties to the 12 international counter-terrorism conventions to enhance international co-operation against terrorism.” Moreover, the G7 states declared their willingness “to implement coordinated counter-measures against those NCCTs that do not take steps to reform their systems appropriately, including the possibility to condition or restrict financial transactions with those jurisdictions and to condition or restrict support from IFIs to them.” At the Genoa summit in 2001, the G7 states underlined again that “the International Financial Institutions have an important role in helping jurisdictions improve their anti money laundering regimes and we urge them to step up their efforts in this regard.”

The relegation of terrorism to the ministerial levels changed when members of Al Qaeda on 11 September 2001 succeeded in hijacking civilian aircrafts and crashing them into the World Trade Center in New York and the Pentagon in Washington, resulting in the deadliest terrorist attack ever. On 19 September, the Group of Eight condemned the assault and reiterated its call on all nations to immediately ratify the 12 UN counter-terrorism conventions. In addition,

We have asked our foreign, finance, justice, and other relevant ministers, as appropriate, to draw up a list of specific measures to enhance our counter terrorism cooperation, including: Expanded use of financial measures and sanctions to stop the flow of funds to terrorists, aviation security, the control of arms exports, security and other services cooperation, the denial of all means of support to terrorism and the identification and removal of terrorist threats.

The first concrete measures came from the G7 finance ministers. In October 2001, they submitted an Action Plan to Combat the Financing of Terrorism which called for a freeze of all terrorist assets, increased information sharing and enhanced efforts by financial supervisors to guard against the abuse of the financial sector by terrorists. With the FATF, there was a mechanism at hand for deploying such measures, and it was used for a G8 policy export.

At its extraordinary plenary meeting in Washington D.C., FATF should focus on specific measures to combat terrorist financing, including:

- Issuing special FATF recommendations and revising the FATF 40 Recommendations to take into account the need to fight terrorist financing, including through increased transparency;
- Issuing special guidance for financial institutions on practices associated with the financing of terrorism that warrant further action on the part of affected institutions;
- Developing a process to identify jurisdictions that facilitate terrorist financing, and making recommendations for actions to achieve cooperation from such countries.

The development of standards in the fight against terrorist financing was added to the FATF’s mandate in an extraordinary plenary session in October 2001. The Task Force issued Eight Special Recommendations to Combat Terrorist Financing (a ninth
recommendation was added in 2004) and intensified its cooperation with the United Nations, the Egmont Group of financial intelligence units, the G20 finance ministers and the IFIs. The boards of the World Bank and the IMF recognized the FATF recommendations as the appropriate international standard for combating money laundering and the financing of terrorism.

Separately from these developments, the UN Security Council approved three important resolutions, which found terrorism to be a threat to international peace and security and obliged member states to limit the ability of terrorists to operate internationally by freezing their assets and denying them safe haven. It also established a Counter Terrorism Committee (CTC) to oversee implementation. The General Assembly adopted two anti-terrorism resolutions that condemned the attacks and continued the negotiation of international terrorism conventions. Several specialized UN agencies also agreed to specific resolutions.

“Despite dealing with terrorism for almost a quarter of a century, the G8 was not awarded a central place in the ‘war on terror’ that was instigated following the events of 11 September 2001. Instead, the group was given a more limited role: countering the financing of terrorist operations” (Penttilä, 2003: 46f). In line with its preference for unilateralism, the Bush Administration dismissed proposals to call a special G8 summit on terrorism. Nevertheless, Canada made terrorism a priority topic on the agenda of the Kananaskis summit in 2002. The G8 took new actions by launching a Cooperative G8 Action on Transport Security and a G8 Global Partnership against the Spread of Weapons and Materials of Mass Destruction which—as a contribution to arms control—committed up to US$ 20 billion for non-proliferation projects over the next ten years in Russia and other countries of the former Soviet Union. The G8 Lyon Group on transnational organized crime and the Rome Group of counter-terrorism experts began to hold joint meetings. In 2002, the Lyon Group updated its 40 recommendations, especially with a view to paying more heed to links between organized crime and terrorism.

The attacks of 9/11 brought terrorism back to the center of the G8 agenda. The issues of combating money laundering and terrorist financing have been “mainstreamed” into various G8 activities such as the G8 Africa Action Plan or the G8 Global Partnership. At the 2003 Evian summit, the heads of state and government decided to set up an own G8 Counter-Terrorism Action Group (CTAG), which is to support third countries in their fight against terrorism in the framework of a special G8 Action Plan “Building International Political Will and Capacity to Combat Terrorism.” A representative of the CTC participates in the CTAG meetings, and representatives from other UN bodies, the IFIs and other organizations are invited to relevant meetings. The G8 Action Plan recognized that

Developing a successful capacity to tackle terrorism requires a focus on three main areas of counter-terrorism activity: first, to deny terrorists the means to commit terrorist acts (for example, to prevent the financing of terrorism, and denial of false documents and weapons); second, to deny terrorists a safe haven and ensure that terrorists are prosecuted and/or extradited (for example to accelerate the conclusion of counter-terrorism conventions and protocols, to deny terrorists entry into a country and to reinforce law-enforcement agencies); and third, to overcome vulnerability to terrorism (for example to enhance
The G8 areas for capacity-building assistance are those outlined by the CTC. The summit states increased outreach efforts not only to other countries but also to international institutions, and “CTAG members will provide funding, expertise or training facilities.” In March 2004, the IMF and the World Bank agreed to make anti-money laundering and combating the financing of terrorism a regular part of their work, in particular regarding assessments and technical assistance (IMF & World Bank, 2004). Speaking in Madrid in March 2005, 1 year after the terrorist attacks there, UN Secretary-General Annan set out elements of a “Global Strategy for Fighting Terrorism” and suggested that the United Nations adopt and promote the FATF’s recommendations on terrorist financing (UN Secretary-General, 2005).

During the 2005 summit in Gleneagles, the host country suffered bomb attacks in London that were utterly condemned by all leaders present at the meeting. The chair’s summary reaffirmed that international terrorism and the proliferation of weapons of mass destruction remained the pre-eminent threats to international peace and security. In a separate statement on counter-terrorism the G8 countries committed themselves “to improve the sharing of information on the movement of terrorists across international borders, to assess and address the threat to the transportation infrastructure, and to promote best practices for rail and metro security.” They welcomed the adoption in April 2005 of the International Convention for the Suppression of Acts of Nuclear Terrorism, initiated by the Russian Federation, and urged “to capitalise on the new momentum at the UN and conclude swiftly the draft Comprehensive Convention for the Suppression of International Terrorism.” Once more, the Group called for universal compliance with all UN counter-terrorism conventions and full engagement with the Security Council in monitoring their implementation. In the same month, the UN Security Council strongly urged all Member States to implement the FATF’s recommendations (UN Security Council, 2005). The UN World Summit in New York in September 2005 for the first time issued an unqualified condemnation by all governments of “terrorism in all its forms and manifestations, committed by whomever, wherever and for whatever purposes, as it constitutes one of the most serious threats to international peace and security” (UN General Assembly, 2005).

Overall, G8 treatment of terrorism has evolved considerably since the 1970s (see Table 4). In the first stage (1978 to 1985), terrorism entered the agenda of the summits that had hitherto only dealt with macroeconomic issues. In this period, cooperation was low or non-existent. The second phase (1986 to 1994) saw the evolution of a counter-terrorism strategy with attempts at extended policy

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57 In addition, the G8 countries announced new non-proliferation measures (e.g. action plans on securing radioactive materials, tanker safety or the transport security and control of Man-Portable Air Defence Systems). The summit in Sea Island in 2004 added a G8 Secure and Facilitated International Travel Initiative.

58 In May 2006 the Secretary-General presented the corresponding report (UN General Assembly, 2006).
Table 4  The G7/G8 and global terrorism

<table>
<thead>
<tr>
<th>Year</th>
<th>Event/Summit</th>
<th>Description</th>
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<tbody>
<tr>
<td>1978</td>
<td>Bonn Summit</td>
<td>G7 statement on air hijacking; G7 condemns terrorist attacks</td>
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<tr>
<td>1980</td>
<td>Venice Summit</td>
<td>G7 statements on the taking of diplomatic hostages and on hijacking</td>
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<td>1981</td>
<td>Ottawa Summit</td>
<td>G7 recognizes the international character of the terrorist threat</td>
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<td>1984</td>
<td>London Summit</td>
<td>Lists terrorist techniques</td>
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<td>1986</td>
<td>Tokyo Summit</td>
<td>Second stage: G7 embarks on developing a strategy</td>
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<tr>
<td>1987</td>
<td>Venice Summit</td>
<td>G7 refers to money laundering and terrorism</td>
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<tr>
<td>1988</td>
<td>Tokyo Summit</td>
<td>Creation of G7 Counter Terrorism Experts Group (“Rome Group”)</td>
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<tr>
<td>1989</td>
<td>Paris Summit</td>
<td>G7 continues to condemn terrorism</td>
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<td>1990</td>
<td>Houston Summit</td>
<td>FATF issues 40 recommendations on money laundering</td>
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<td>1994</td>
<td>Naples Summit</td>
<td>G7 refers to money laundering and organized transnational crime</td>
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<td>1995</td>
<td>Halifax Summit</td>
<td>Third stage: institutionalization of G8 capacities</td>
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<tr>
<td>1996</td>
<td>Lyon Summit</td>
<td>G8 proposes UN Convention on Terrorist Financing and repeatedly urges other countries to join all UN conventions against terrorism</td>
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<tr>
<td>2000</td>
<td>Okinawa Summit</td>
<td>G8 develops a strategy against money laundering, tax havens and offshore financial centres and declares ready for countermeasures against 51 NCCT</td>
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<td>2001</td>
<td>G8 Statement on the Attacks of September 11</td>
<td>Rome Group and Lyon Group hold joint meetings; Action Plan to Combat the Financing of Terrorism; FATF issues 8 special recommendations on terrorist finance</td>
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<tr>
<td>2002</td>
<td>Kananaskis Summit</td>
<td>Fourth stage: focus on terrorist finance and mainstreaming</td>
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<tr>
<td>2003</td>
<td>Evian Summit</td>
<td>G8 revises its 25 recommendations on counter-terrorism; IMF and World Bank endorse FATF recommendations</td>
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<tr>
<td>2004</td>
<td>Sea Island Summit</td>
<td>Creation of the G8 Counter-Terrorism Action Group to support third countries; mainstreaming of the fight against money laundering and terrorist finance</td>
</tr>
<tr>
<td>2005</td>
<td>Gleneagles Summit</td>
<td>G8 condemns terrorist attack in London and urges to agree on UN Comprehensive Convention on International Terrorism</td>
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</table>
coordination with the UN General Assembly (to get the other states “on board” for the counter-terrorism conventions) and the “delegation” of the task of combating money laundering to the FATF in 1989. In the third period from 1995 to 2001, the G8’s capacity to fight terrorism was developed. “Simple statements have become detailed declarations outlining various counter-terrorist strategies, and G8 counter-terrorism efforts have clearly shifted from a reactive to a proactive strategy aiming at the deterrence, prevention, and investigation of terrorist activities around the world” (Belelieu, 2002: 16). In the current fourth stage since Kananaskis the reactions to the attacks of 9/11 dominate. Extended policy coordination with the UN continued and was intensified, while the FATF turned into a forum for G8 policy export, in particular with regard to the financing of terrorism. Williams (2001: 122) argues that the Group of Seven and the UN have complemented each other’s activities in the field of money laundering (and terrorist finance, one might add). They both play a critical role in setting international norms that can be used to hold states accountable, “the United Nations does this through conventions, while the FATF has established a mechanism for performance review of national governments and the imposition of peer pressure” (Williams, 2001: 129). The UN conventions indeed retain more legitimacy than the Task Force or the OECD could, and the G8 never tires of calling on all states to join those treaties. Belelieu (2002: 23) observes that “if the G8 has been effective against terrorism this is also due in no small part to its insistence on a relationship of mutual reinforcement with other international and regional institutions, most notably the United Nations.” By and large, the G8 has, as expected, at least since the 1980s aimed at a low (but increasing) degree of cooperation with the UN, while cooperation with the FATF has intensified faster from a medium to a high degree.

5 Conclusions: Governance through Government Networks

This article started out with the puzzle of how an informal grouping of a handful of states without a secretariat or formal competences might contribute to global governance. It has shown that the Group of Eight maintains external relations and attempts to provide governance through cooperation with international organizations. The two case studies made plausible that (vertical) government networks do exist. In both instances, the G8 began with self-commitments and appeals to other countries, before addressing the relevant international institutions in the 1980s with concrete requests for action, and in the 1990s it increasingly involved lower levels of the summit system as well. In the case of debt relief, the G8 has since the mid-1980s successfully exported its policies to the Paris Club and to a lesser degree since the mid-1990s also to the Bretton Woods institutions. In the field of combating terrorism, the G8 has on the one hand acted as a constant reminder for the UN conventions in an attempt of extended policy coordination. On the other hand, the Group has been a catalyst for the formation of an international anti-money laundering regime by “delegating” certain tasks to the externally created Financial Action Task Force. The FATF’s role has gradually expanded from combating the laundering of drug proceeds to all forms of money laundering and terrorist finance, creating regional bodies and enlisting the aid of other international financial
institutions. As expected, network governance is more likely, the more powerful and the more dependent the G8 is on other institutions’ resources.

Keeping in mind the caveats set out in chapter 2, at least five conclusions can be drawn: first, the transgovernmental perspective suggests that different (vertical) government networks—with different power and resource constellations—explain the Group’s cooperation with international organizations. Additional case studies may further assess the plausibility of this claim. Government networks constitute a promising concept for future research on the mechanisms of global governance, as a “creeping internationalization of administrative state apparatuses” (Ougaard, 2004: 94) takes place among and beyond the G8 countries.

Second, states or governments are not being rendered obsolete by the rise of private actors in international affairs — as much of the global governance literature with its dominant focus on private actors seems to imply. States adapt and may “disaggregate,” thus allowing for the spread of different kinds of policy networks like government networks (or public–private partnerships).

Third, Slaughter’s (2004) “new world order” is not only the result of transgovernmental networks of disaggregating states, but it is also a product of informal core groups such as the G8 attempting to “steer” global politics, in particular through international institutions. Moreover, Slaughter’s (2004: 14) distinction between information, enforcement and harmonization networks might need to be expanded to include “agenda-setting networks”—as the G8 often sets the agenda of international organizations.

Fourth, regarding possible generalizations, informal groups in other international fora could be of interest. Prantl (2005: 566), for instance, rightly calls for future research on the dynamics between informal groups and formal international organizations such as the EU, NATO, IMF, World Bank or the WTO. He argues that informal groups of states (such as contact groups or groups of friends), which proliferated in the United Nations in the post-Cold War era, serve as a mechanism that allows for “exit” from the structural constraints of the Security Council and for “voice” for the stakeholders in a conflict. Whereas diplomatic problem solving is carried out by the informal groups, collective legitimation is provided by the UN Security Council. Certain parallels may be drawn here for the G8, at least with regard to the “exit” strategy.

Fifth, the growing importance of transgovernmental relations has also implications for the theories of International Relations. Since global governance is often understood as institutionalized cooperation to achieve desirable positive-sum outcomes and normative progress, the role of power is often overlooked. Yet, power is central to global governance, both for its empirical and normative branches. Power is associated with neorealism, while neoliberal institutionalists, liberals and constructivists “have neglected to develop how power is conceptualized and operates within their theories” which limits their ability “to understand how global outcomes are produced” (Barnett & Duvall, 2005: 41). Hence, it seems preferable to further develop analytical approaches that borrow useful insights from different theories rather than treating them as mutually exclusive competitors.

Empirically, the Group of Eight does contribute to global governance by providing certain mechanisms of cooperation in government networks. From a normative point of view, this contribution might not seem unproblematic. As Baker
(2006: 223) rightly points out, “a reading of G7 documentation on debt reveals a self-congratulatory tone, providing lists of various generous instances of financial assistance, without discussing the roots of the problems developing countries continue to face, or the developed world’s ethical obligations and responsibilities to assist.” Debt cancellation could have come much earlier, less incremental and for more countries. Networks reflect the ideological convictions of their constituent parts, and G8 networks have proven rather conservative. The most commonly articulated criticisms of the G8 are its neoliberal agenda (what kind of policies are promoted?) and its exclusivity (who is represented and who is excluded?). Reform proposals range from extending membership to countries representing a larger share of the world’s population to abolishing the G8 altogether or addressing its transgovernmental character by including “a wider range of government agencies representing a wider range of key social interests (...) and possibly even NGO and civic associations” (Baker, 2006: 245). Such changes would, however, come at the expense of the Group’s decisionmaking capacity and effectiveness.

In order to increase the legitimacy of a global summit forum, the most promising proposal seems to be the establishment of an informal L20 (Leaders-20). It would comprise the G8 countries and stable emerging market economies (similar to the G20 but not limited to finance ministers) as well as perhaps other major regional powers regardless of their relative economic importance if certain regions (such as Africa) would otherwise be underrepresented (Martin, 2005). An L20 would be small enough to take collective decisions and to permit informal and highly personalized relations, but also representative for the world’s population and its economic activity. While it is unrealistic that such an L20 would in the short to medium term replace the G8, it would provide political leadership and set the necessary rules for the new emerging international system. An L20 could facilitate the work of existing networks that operate in the realm of global governance (cf. English, Thakur, & Cooper, 2005). As Slaughter (2004: 230–257) demonstrates, government networks may improve the quality of global governance under certain conditions and based on certain global norms. What is needed then are government actors who can be held accountable and who interact with a wide range of non-governmental and international organizations in the preparation and implementation of their decisions.

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59 As many emerging market countries are turning into net creditors themselves, the Paris Club is also looking for new members (Financial Times, 2006).


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