How Informality Can Address Emerging Issues: Making the Most of the G7

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A growing network of international institutions governs global politics. Most international institutions, such as the Food and Agriculture Organization and the World Tourism Organization, are tailored to exploit the known; they address enduring or well-understood international problems that fit into existing categories. These institutions cluster around familiar topics ranging from food security and tourism to the environment and trade. However, our complex world is a breeding ground for new issues, posing a unique challenge for these institutions. Think of the array of questions raised by artificial intelligence (AI), the transnational diffusion of the ‘me too’ movement, or the undermining effects created by the rise of populism. Emerging issues like these concern the unknown; they are often unprecedented, spanning multiple issue areas in their scope or in their consequences, and can be disruptive.

Looking at variation in institutional formality and membership heterogeneity, our focus is on identifying the institutional forms that are best suited to meet the challenges posed by emerging issues that arise out of complexity. While no institution is perfectly adapted to this class of problem, we argue that informal institutions with like-minded memberships are better suited to tackling emerging issues than their formal and heterogeneous counterparts for two reasons. First, informal institutions are flexible in their mandates, enabling them to tackle emerging problems that lie outside the scope of formal institutions. Second, when informal institutions have like-minded memberships, they are quicker to reach consensus and address these problems by formulating initial solutions, delegating to other institutions, or suggesting the creation of new institutions. Using the example of the G7, we show how informal institutions have addressed emerging issues in the past, and discuss how they can deal with them in the future.

1. Emerging problems and sticky institutions

The world that policy makers try to govern is complex. It is made of various interconnected systems, whether they are economic, social, and/or biophysical. These systems are themselves made of interacting elements, connected by positive and negative feedback loops. The trade system, for example, is made up of various types of domestic regulators, business associations, transnational corporations, certification organizations, and consumer groups. New and unpredictable outcomes emerge out of their interactions, as a result of nonlinear dynamics and network effects. Even policies adopted and technologies developed to address existing problems can inadvertently create other problems, including financial crises, environmental degradation, and human right abuses. Moreover, the pace of interactions and the emergence of new problems appears to be accelerating (Duit and Galaz 2008). Far from being at the end of history, in our epoch, history appears to be speeding up.

In response to this increasing complexity in the world and its nurturing of new issues, the governance system itself has become more complex. International treaties, organizations, partnerships, forums, groups, and dispute settlement mechanisms have proliferated rapidly. According to some accounts, countries have now concluded more than 790 trade agreements (Dür et al., 2014), 3300 investment agreements (UNCTAD, 2018), 3500 tax agreements (Arel-Bundock, 2017), and 3600 environmental agreements (Mitchell, 2018). Yet, the proliferation of institutions is not a sufficient response to the new issues and challenges that accompany the unfolding complexity of the world. At least three reasons explain this insufficiency.

First, institutions are notoriously sticky (Thelen, 1999); they are historical entities, designed to deal with the pressing problems of their time rather than today’s emerging problems. The slow-moving International Telecommunication Union (created in 1865) would certainly look very different if it had been established in the fast-changing internet age. The same would hold if the tripartite structure of the International Labour Organization (founded in 1919) had been designed in the current period of a rising gig economy. Admittedly, organizations change over time and the scope of their activities can evolve. Despite this, institutional constraints ingrained in institutions’ DNA, as well as stabilization pressure coming from external actors, make international institutions heavily path-dependent. This legacy of the past restricts many institutions’ capacity to react promptly to emerging problems.

Second, institutions are not distributed evenly in the governance landscape. They proliferate and overlap in some issue-areas, creating what is known as dense ‘regime complexes’ (Rauhstalia and Victor, 2004), but are absent from other issue-areas, leaving them in a ‘nonregime’ state (Dimitrov et al., 2007). The accumulation of space junk, degradation of coral reefs, and recognition of professional qualifications for migrants, for example, are well-known global problems that are under-institutionalized.

Third, proliferation often increases the cost of participation in the international system as it forces states to spread their resources across a greater number of institutions. Proliferation therefore limits the capability of less well-resourced states and constituencies to have their voices heard and to provide valuable inputs in the quest for innovative solutions (Benvenisti and Downs, 2007).

As a consequence, there is a mismatch between the dynamic and unpredictable world, on the one hand, and the stable and clustered institutional governance system, on the other hand (Young, 2010). This mismatch leaves many emerging problems inadequately governed. These problems are often transversal in nature, such as gender inequality and cyber security. They cut across established issue-areas and call for changes in several disconnected institutions. In the absence of a centralized and hierarchical authority in global governance, institutions work in silos and tend to specialize rather than tackle transversal problems that they cannot adequately address by themselves.

Another type of problem left poorly addressed by the current institutional architecture is regimes’ negative externalities on other regimes. The concern here is not that different regimes have incompatible rules. Blatant legal conflicts remain rare and a certain degree of normative ambiguity preserves the unity of the international legal
system. Instead, problems emerge at the impact level (Gehring and Oberthür, 2009). For example, trade agreements can have adverse effects on the state of the environment, and environmental agreements can have restrictive effects on trade. International institutions increasingly address these negative spillovers (Johnson and Urpelainen, 2012), but they do so from their own particular standpoint, which is subject to bias and often superficial in nature.

Third, traditional institutions are not well attuned to today’s unprecedented challenges. Disruptive technologies, such as gene editing, killer robots and driverless cars, raise such challenges. The same is true of major alterations in social attitudes, as with gender or immigration. Established institutions are ill-prepared to address disruptive technologies or social change and setting up new specialized institutions to meet each new unprecedented challenge requires strong political drive and resources that are often lacking. Yet, failing to address these challenges from the outset at the international level increases the risk that the challenge is not solved or that a single country or company takes unilateral action and sets global standards in a suboptimal or an unethical trajectory.

The argument here is not that institutions at the core of the current global governance system are fundamentally inept. They usually are not. Instead, we argue they are often ill-prepared to tackle the specific class of emerging problems that grow out of the world’s complexity, including transversal issues, negative externalities and disruptive technologies. Building on the distinction between exploitation of the known and the exploration of the unknown (March, 1991), the current governance system seems geared toward the former at the expense of the latter. Most institutions are designed to address well-understood collective action problems. They are relatively efficient at implementing, executing, and refining earlier solutions. However, these institutions are often inflexible and poorly set up to experiment, innovate or take risks. As the world is complex, unstable and unpredictable, a governance system that engages in exploitation to the exclusion of exploration is likely to find itself ‘trapped in suboptimal stable equilibria’ (March 1991, p. 71). However, we suggest that some institutional forms that already exist in the governance system have the potential to engage in important exploratory activities.

2. Informal institutions with a like-minded membership

To identify the institutional forms best adapted to engage in exploratory activities, we focus on institutional variation in two broad dimensions: MEMBERSHIP HETEROGENEITY and FORMALITY. While institutions differ in other ways, such as in their degree of centralization and their decision-making rules (Koremenos et al. 2001), institutional MEMBERSHIP HETEROGENEITY and levels of FORMALITY are particularly relevant to institutions’ ability to solve the three types of emerging problems identified above.

The MEMBERSHIP HETEROGENEITY dimension asks: ‘How like-minded are an institution’s member states?’ International institutions have memberships that fall on a spectrum ranging from strongly ‘like-minded’ states to extremely ‘diverse’ states. In institutions with a strongly like-minded membership, members share either a general worldview or hold similar viewpoints on the specific issue area(s) that the institution addresses. We use ‘like-mindedness’ here in a broad sense to encompass the presence of an overarching culture of cooperation within a community of interests. The European Union, for example, is an institution with a generally like-minded membership. Issues such as Brexit and other more recent fundamental disagreements within the EU on human rights and migration might make the EU appear less like-minded, yet its members nevertheless share broadly similar views on a range of core issues. These include EU members’ general support for the rule of law, human rights, and regional cooperation – even if they occasionally differ on their preferred solutions. Institutions with a diverse membership in contrast have members that mainly differ in their broad worldviews or specific opinions on a given topic, such as labour rights or environmental protection. Universal membership institutions, such as the World Health Organization (WHO), the United Nations Framework Convention on Climate Change (UNFCCC) and the United Nations General Assembly (UNGA), have strongly diverse memberships.

The FORMALITY dimension is concerned with the question of ‘How institutionalized are an institution’s decision-making procedures?’ To this end, FORMALITY is not a binary distinction between informal and formal but rather operates on a scale between the two. While existing research primarily focuses on more formal institutions, such as the World Bank or the Organization for Economic Cooperation and Development, in practice institutions vary greatly in terms of their degree of formality, with more informal institutions such as the G7 and G20 commonly co-existing with their formal counterparts (Vabulas and Snidal, 2013). Formal international organizations are official bodies, legalized through a founding charter or treaty, which have official members, hold regular meetings, and are coordinated by a permanent secretariat or staff. Informal international organizations exhibit a lower level of institutionalization than their more formal counterparts. These organizations generally have associated members and host meetings, but lack a formal founding charter or agreement, a permanent secretariat, and/or other markers of institutionalization (Vabulas and Snidal, 2013).

While no institutional form is a panacea, a given institution’s MEMBERSHIP HETEROGENEITY and level of FORMALITY makes it better suited to address some problems than others. Beginning with MEMBERSHIP HETEROGENEITY, institutions with a like-minded membership tend to reach consensus on policy decisions more quickly than their more diverse counterparts. However, these institutions generally have a smaller membership that may be unable to adequately solve global problems and lack the legitimacy of organizations with a larger or universal membership. Diverse membership organizations, while slower moving and sometimes unable to reach any form of consensus, are well placed when buy-in across a broad range of states is necessary in order to solve a problem. Turning to FORMALITY, formal institutions are often
suited to address enduring and well-understood problems that fit into existing issue categories and established policy silos. They are adapted to engage in incremental change that refines earlier policies and solutions. However, as formal organizations are relatively inflexible in their scope – due to their explicit mandates – they may be unable to turn their attention to new problems that emerge under complexity. Informal organizations, in contrast, tend to have a more flexible scope, making them more capable of addressing new problems that lie outside of the mandate of other organizations.

The interaction of institutional membership heterogeneity and formality leads to four organizational ideal types, depicted in Table 1: (1) Formal diverse institutions; (2) Formal like-minded institutions; (3) Informal diverse institutions; and (4) Informal like-minded institutions.

The combination of an institution’s level of formality and degree of membership heterogeneity affects its capacity to deal with emerging problems. Formal institutions, due to their path dependencies and scope constraints, whether diverse (1) or like-minded (2) in their memberships, are less well-adapted to meet the challenges associated with solving emerging problems than their informal counterparts. However, once emerging problems have been identified, and in some cases, potential solutions even tested, new and existing formal institutions are in a strong position to be delegated to or to continue the activities of their informal counterparts. Informal diverse institutions (3) are flexible in scope, enabling them to focus on emerging challenges; however, in practice, these institutions often struggle to reach the level of consensus necessary to engage in meaningful action. Due to this difficulty, these organizations are often best suited to be ‘second-movers’, building on momentum from the activities of quicker informal like-minded institutions, which may facilitate consensus in their own membership.

The characteristics of informal like-minded institutions (4) make them the best situated to meet the three complexity-related challenges identified with emerging problems: transversality, negative externalities, and lack of precedent. The flexible scope of these institutions makes them better able to address these problems than their counterparts. In addition, these institutions are more likely to reach the required level of consensus to address these problems than diverse membership institutions. Even when solutions to emerging problems require buy-in from a range of states that is broader than a subset of like-minded states, informal like-minded institutions can serve as test labs for future global solutions, as first movers setting trends for other states and institutions, as orchestrators of their activities, or as the creators of new institutions. While like-minded informal institutions, such as the G7, are often derided for being elitist or ‘talking shops’, we suggest that they are well adapted to play an important role in exploring the unknown and addressing the flow of emerging problems in our complex world.

3. The G7’s record in handling emerging problems

When it first met as a G6 Information Centre, 1975, the G7 could clearly be characterized as an informal institution with like-minded members. In the case of membership heterogeneity, the Rambouillet Summit was designed to be a small grouping of the like-minded leaders of France, the US, the UK, West Germany, Japan and Italy. In the absence of membership criteria, the declaration that emerged from Rambouillet emphasized that ‘we came together because of shared beliefs and shared responsibilities. We are each responsible for the government of an open, democratic society, dedicated to individual liberty and social advancement’ (G7 Information Centre, 1975). Since then, membership has been carefully managed to embrace similar like-minded partners that meet the criteria of these shared values, such as Canada in 1976 and the EU in 1997. The one occasion when the criteria were ignored in order to extend membership to Russia in 1998 for strategic reasons ended in failure when Russia’s membership was suspended in 2014 over its annexation of Crimea and interference in Eastern Ukraine.

In the case of formality, the Rambouillet Summit placed a low level of formality at the heart of the group. This first summit was intended to be a one-off, fireside chat between mutually recognizing great powers of the day in response to pressing macroeconomic challenges. The 1973 oil crisis was one of the key emerging issues of its time and it called for an informal coordination among key world leaders. Summit discussion focused on whether it was even necessary to release a declaration. Since then, despite attempts to formalize the summit process, for example by expanding the size of delegations to the ministerial level, the G7 has regularly resisted such developments, pared itself down and returned to its roots as an informal gathering.

Over a history of forty-four summits from Rambouillet to Charlevoix, these defining characteristics are evident in the cases where the G7 has responded successfully to global collective action problems whether they be transversal, demonstrate negative externalities, lack any precedence, or all of the above. For example, despite its initial focus on global macroeconomic issues, the G7 came to play a central role in the biggest structural challenge of the post war period that embraced all three types of emerging problems:

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<th>Table 1. Institutional membership and formality</th>
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<td>Membership Heterogeneity</td>
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<td>UN, ILO, Paris Agreement (1)</td>
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the end of the Cold War. Like almost all other international institutions, the G7 failed to predict the end of the Cold War. However, it was more successful than traditional international institutions in its response to the cross-cutting nature of a challenge with considerable potential for negative spillovers that lacked a pre-existing roadmap showing how to respond. From the end of the 1980s and through the 1990s, it was the G7 that acted as the vehicle for managing the Soviet Union and Eastern Europe’s transitions to democracy and capitalism. On one hand, this was achieved by embracing the Russian leadership (whether Gorbachev or Yeltsin) within the limited membership and informality of the G7 through an incremental process from 1989 to the ultimate creation of a G8 in 1998. On the other hand, it was facilitated through the creation at the 1989 Paris Summit of the Group of Twenty-Four, a new body that was delegated with the task of channeling assistance to Central and Eastern Europe (G7 Information Centre, 1989).

Related to the unravelling of Cold War structures, conflict resolution in the former Yugoslavia, although a traditional security issue in some ways, represents several of the characteristics of emerging problems that the G7 is well-positioned to address as a result of its limited membership and informality. In particular, the Kosovo conflict spanned two G8 presidencies – the UK in 1998 and Germany in 1999 – and saw the G8 foreign ministers, including crucially Russia, negotiate the terms of the Yugoslav withdrawal, the role of NATO and the deployment of peacekeepers as well as draft the wording of the related UN resolution prior to the G8 Cologne Summit of June 1999. In the words of Secretary of State Madeleine Albright ‘I knew I would have been furious, had I still been UN ambassador, that the foreign ministers were doing our job’ (Albright, 2003, p. 535). Thus, in this case, the G7/8 as a small and informal group of relevant stakeholders was better suited to lay the groundwork for an innovative solution than more formal, diverse and legalistic organizations like the UN.

Finally, global health in many ways represents the transversal issue of our age but also a challenge that has resulted in one of the G7’s most high-profile successes. As global health emerged as a multifaceted, wide-ranging and highly disruptive issue at the turn of the millennium, the G7 (or G8 as it was then) responded rapidly by championing the cause at the 2000 Kyushu-Okinawa Summit and thereafter. At that summit, ‘foundations were laid for a new multilateral and more deliberative institution that could respond to global public health priorities … [T]he G8 countries acknowledged a need to create a new and more inclusive institution in order to effectively respond to global infectious diseases’ (Brown, 2010, p. 517). The resulting momentum continued through future G8 summits, embraced the UN, donor and developing countries as well as civil society and led to the creation of the Global Fund to Fight AIDS, Tuberculosis and Malaria that has sought to move away from a model of silo-working towards a genuinely coordinated response to the challenge. Across these examples, the G7 demonstrated itself to be nimble and responsive as a result of its size and shared values but also realistic about its own capabilities and willing to create or delegate to more formal organizations as ‘second-movers.’ At the same time, the G7 frequently (and unsuccessfully) addresses traditional issues that are better handled by more formal or more universal institutions. Trade liberalization and climate change are two prominent examples of recurring issues on the G7 agenda that the G7 is poorly designed to address. We hope that the next G7 summit will build on its competitive advantage and will focus on the key emerging issues of our time.

4. Emerging issues for the 2019 Biarritz Summit

Issues that are currently insufficiently addressed by the network of existing international institutions are particularly those that transcend narrow issue-areas and whose emergence is potentially difficult to foresee. As stated in the introduction, most international institutions are suited to address known problems (and they even struggle with this) that can fit into existing categories, programmes and funding lines. Yet increasing complexity and interconnectedness have resulted in, and are likely to continue to produce, enormous challenges. We argue in this article that the G7 as an informal, like-minded group is best suited at least to begin to address these issues by: identifying and framing the problem at hand, assuming leadership, setting a precedent and providing a model that other states or organizations can embrace in one form or the other. As an informal institution, it has shown an adaptive capacity that more formal institutions lack and that might make it more adept at dealing with ‘emergent’ challenges whose impacts – positive or negative – remain largely, if not wholly, unsettled (Campbell-Verduyn, 2018, p. 6). As a conclusion to this article, we illustrate some emerging issues that the G7 might be able to address (better than others) in the future, including at the upcoming meeting scheduled to take place in Biarritz in August 2019.

Rapid advances in digitalization and automation have a fundamental impact on all aspects of life, yet are inadequately addressed in formal international institutions or other forms of cross-border agreements. One aspect concerns the potential weaponization of AI (through so-called ‘killer robots’ or other automated weapon systems that can operate without human interference). These new technological developments pose unknown dangers to stability and peace in the international system and its innovations in weaponry raise the possibility of ‘near instantaneous wars of global scope’ (Deudney, 2018, p. 224). The G7 could engage in the development of a new form of ‘preventive security governance’ (Garcia, 2018, p. 334) that regulates the further weaponization of AI. This area – despite its uncertainties – is one in which coordination and integration of governance should be within the grasp of a like-minded group such as the G7 since there is both scientific certainty and consensus regarding the impending dangers (Garcia, 2018). In these fields, the G7 could also engage with businesses that should have an interest in avoiding civilian casualties and tap into existing efforts by the epistemic community and civil society.
(such as the International Committee for Robot Arms Control and its Campaign to Stop Killer Robots) in order to galvanize broader support for a preventative governance initiative.

Also at the centre of much discussion of emerging risk without proper global cooperation are cryptocurrencies and blockchain technology. While these technologies empower specific actors, such as when they provide migrants that are unable to open official bank accounts with a tool to transfer and receive funds, they also open wide windows for criminal activities such as black market trading and corruption by circumventing banks and other institutions usually tasked with monitoring and information-sharing. This decentralization can lead to massive damages for both individuals and institutions without an authority in place that could deal with losses and damages, for instance via theft or bankruptcy (Campbell-Verduyn, 2018).

There is growing demand for the regulation of the cryptocurrency market, yet there is no agreement about how to do this. While countries like Japan have a more open approach, China is stricter in allowing and protecting specific transactions. For instance, ‘initial coin offerings’ (ICOs) have attracted highly speculative investment interests in this form of crowd-financing in Europe and the US. How to classify these ICOs (whether as currency, commodity, security, property, deposit) is highly contested because the particular conditions vary from issuer to issuer. This means that assets can be ‘easily transferred and their origins are difficult to trace. Tokens could be issued in a more token-friendly jurisdiction in Japan. The same tokens could end up in the hands of unassuming retail investors in stricter jurisdictions such as the US’ (Masie, 2018). This cross-border non-coordination allows token companies to choose jurisdictions that have more permissible rules. Experts call for international coordinated regulation. The G7 could advance this agenda by supporting ‘investment in technologies that makes the provenance of tokens clearer while preserving their encryption’ (Masie 2018) for instance through a standard ‘indicator of origin’ harmonized initially across G7 nations but potentially as a model for other countries to buy into. As the origin of the token could be tracked in this way, it would make illegal transactions and money-laundering much more difficult. Companies would, even without this technology being embraced by their host countries, sign up to this standard as it builds trust in an extremely volatile and risk-oriented investment environment.

To be sure, AI and cryptocurrencies are not the only emerging issues, and perhaps not the most pressing ones. Other challenges include climate engineering, human biotechnologies, Internet privacy, automation of traditional jobs, e-commerce, space junk, gene editing, antibiotics resistance, driverless cars, and news fact-checking. Formal and universal intergovernmental organizations can hardly handle these emerging questions, either because they are transversal in nature and they require prioritization across issue-areas, or because the disruption they create calls for unprecedented responses. The informal and like-minded G7 is better suited than other institutional forms to frame these issues, set the agenda, and call for policy actions. Unfortunately, the G7 has not always built on the competitive advantages offered by its institutional design. While some see the G7 as nothing more than a ‘photo op’ or a ‘global hot tub party’ (cited in Kirton et al., 2010, p. 90), we call for a G7 that focuses on what it is best at.

References


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