Governing Global Trucks and Buses: The G20 and G8 Roles

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It is a great pleasure to be back in Lyon, with my fond memories of the G7 summit it hosted so well in 1996. But this time we must ask what these great summits of the now Group of Eight (G8) major market democracies, and also the Group of Twenty (G20) systemically significant countries, have to do with the truck and bus world. After all, since its 1975 birth, in the wake of the 1973 oil shock, the G8 has been preoccupied with the big political issues of war and peace, terrorism, weapons proliferation and human rights. Similarly, the G20, created as a ministerial forum in 1999 due to the Asian-turned-global financial crisis then, and just elevated to the leaders-level in November 2008 due to the American-turned-global financial crisis now, has focused on the broad economic issues of fiscal and monetary stimulus, financial regulation and supervision, trade and investment, and development for the poor.

But a closer look reveals that G20 and G8 governance does indeed have much to do with the truck and bus world, and will have a growing impact in the years ahead.

G20 Governance

The G20 is currently the most visible source of the new global guidelines that affect how firms operate in the major countries of the world. It took centre stage with its first ever summit, hosted by American president George Bush, in Washington DC on November 14-15, 2008. It held a second summit, hosted by British Prime Minister Gordon Brown in London, England, on April 1-2, 2009. It is due to hold its third summit, hosted by Barack Obama, somewhere in the U.S., at the end of September this year.

These summits combine the most powerful leaders of the 20 most powerful established and emerging countries around the world. Together they represent 85% of the world's economy, much of its population, and reflect its enormous diversity in levels of development, business practices, legal systems, language and much else. When their leaders get together they cover, combine and commit to new things in very ambitious ways.

Thus the most recent G20 summit in London mobilized 1.1 trillion dollars in new money for development through the International Monetary Fund (IMF) and the World Bank. The European Union (EU), the US and Japan each provided 100 billion dollars, China 40 billion dollars, Canada 10 billion dollars, and other countries lesser amounts. The IMF itself added 250 billion dollars through a new allocation of Special Drawing Rights. This money will largely go to countries in crisis, beginning with the many in Central and Eastern Europe, but expanding to the Middle East and beyond. These rapidly growing markets, recently crushed by the global recession, will thus get the money they need to revive, and get back to building and buying roads, other infrastructure and vehicles to meet their development needs.

At the London Summit the G20 leaders also promised direct national stimulus — to do "whatever is necessary" to deliver 'the scale of sustained fiscal effort necessary to restore growth." To the 5 trillion dollars in fiscal stimulus they had already agreed in Washington to spend by the end of 2010, they are adding other big national stimulus packages, starting in Japan. In addition, they moved in monetary policy to quantitative easing, direct targeting and other measures to get banks and lending markets working, to give everyone the low-cost credit and confidence they need to build, buy, sell and service trucks, buses and other vehicles too.

The London summit also specifically endorsed green stimulus — promising to use its fiscal stimulus to "accelerate the transition to a green economy." Seeking 'sustainable globalization" to benefit "future generations" it called for more corporate social responsibility, and promised a new agreement on climate change at the UN conference in Copenhagen in December. Most importantly, it pledged "to make the best possible use of investment funded by fiscal stimulus programs towards the goal of building a resilient, sustainable, and green recovery …, to "make the transition toward clean, innovative, resource efficient, low carbon technologies and infrastructure …, to encourage the MDBs [multilateral development banks] to contribute fully to … this objective, … [and to] work together on further measures to build sustainable economies." The message is clear — in the future, trucks and buses, the plants and firms that build, support and use them, the fuels they consume and the infrastructure they depend on, will have to go even greener.

These are not simply well meaning words from a club dominated by a rich north that can afford to add the environment in as a luxury good. At the height of this great global recession, all the emerging as well as the established members of the G20 agreed to act in this way. It was one of the emerging economies, Korea, that proudly proclaimed it had the greatest green stimulus, at a full 100%. In contrast, Obama's America came in at only 10%.

The London Summit also saw leaders again take the anti-protectionist pledge. They promised not to erect new barriers to the free flow of goods, services and investment among their countries, and to repair the damage when they did. There have been violations of this pledge, in the wake of both summits. Some have come in the transportation sector, including in countries that subsidize car companies and an America that keeps Mexican trucks from working throughout the U.S. On the whole, these violations have not been sufficiently large to prompt the protectionist spiral that all G20 leaders most fear, with the 1930s on their minds. But the new monitoring mechanisms created in the World Trade Organization (WTO) and the World Bank should include a close and informed scrutiny of whether national environmental regulations that seem good on the surface best deliver genuine environmental protection without costly trade protectionism as well. There are even better grounds for going on the offence, with further trade liberalization initiatives that give the new green economy pride of place.

G8 Governance

Even as the G20 summits rise to prominence in response to today's crisis, the older G8 summits continue to matter for the truck and bus world. Since the start, these G8 summits have dealt with energy security, energy conservation and thus the kinds of fuels that vehicles use. In 1979, at the first G8 summit Japan hosted, during the second oil shock, the leaders agreed that carbon dioxide concentrations in the atmosphere should be stabilized immediately at the levels existing then. During the following five years all acted in accordance with this pledge.

Indeed, at their very next summit, in Italy in 1980, they agreed to do so through "arrangements or standards for improved automobile fuel efficiency, by gasoline pricing and taxation decisions, by research and development, and by making public transport more attractive."

Almost two decades later, at the G8 summit in Heiligendamm, Germany, in 2007, climate change had become the priority. G8 leaders agreed specifically to increase energy efficiency and to reduce energy demand and CO2 emissions in the transport sector, through innovative engine concepts, alternative fuels, city planning measures, public transport, best possible inter-linkage of transport methods and increasing the share of alternative fuels.

They also agreed to monitor the implementation of the necessary measures, to discuss progress at two-year intervals at an environmentally friendly vehicles conference, to report its results to G8 leaders and to introduce energy-efficiency labels for new cars.

In Japan last summer, the G8 and its partners from the 16-country Major Economies Meeting (MEM-16) agreed that all would control their carbon in the post-Kyoto regime. The G8 also endorsed an innovative, bottom-up, sectoral approach, in which key industries could set their own carbon targets — ones they knew they could meet — with the results being added up as part of a global regime.

Looking Ahead

Looking ahead, G20 and G8 governance is likely to have an even greater impact on the truck and bus world. Here there are three key summits to watch, and shape, in the coming year.

The first is the forthcoming G8 summit in Italy on July 8-10. It will deal with low carbon technology, a beyond-Kyoto climate change regime, and national reports on energy. To prepare for the summit, environment ministers from G8 and some other countries met in Italy three weeks ago. For their discussion on low carbon technologies, they were joined, unusually, by senior officials from several leading firms, including Fiat, Mitsubishi and Tata. Most ministers and businesspeople there asked for stimulus packages to shift investment to low carbon technology. Both groups called for international public-private initiatives for this purpose in developed and developing countries. Business also asked for a clear, long-term regulatory framework to foster the high capital investments needed to deploy and disseminate energy efficiency technologies, renewable energies and sustainable biofuels. The messages on stimulus and public-private initiatives will be taken forward to leaders at the G8 summit in July.

The second summit to watch is the G20 one in September in the U.S. Here the big issue will be what additional stimulus is needed. With Obama in the chair, such stimulus, and supportive financial regulation, is likely to be greener than before. Moreover, with Obama already having taken ownership of the MEM-16 process launched by George Bush, and with the UN's Copenhagen conference only a few months away, climate change is likely to receive more attention and action too.

The third summit is the G8 one that Canada will host in June 2010. Last summer Canada's prime minister, Stephen Harper, announced that climate change and open markets would be the priorities there. By the 2010 summit the G8 and its partners will be called upon to at least start implementing, and perhaps even create, the beyond-Kyoto climate change regime. With Canada being a G8 leader in trade liberalization, it is likely to push to open markets for trade and investment, reinforcing the Canada-EU free trade negotiations now underway. On both climate and trade, Canada's G8 will set the stage for the G8 summit that France will host the following year.

Conclusion: What You Should Do

From this review, it is clear that there is much to do, to have G20 and G8 governance work for you. Six priorities stand out.

First, go for the global markets in the rapidly rising emerging and developing world. China, India and Brazil have long been big, fast-growing markets. But China, almost alone within the G20, has survived the recession with positive growth, which is now accelerating fast. This growth is fuelled by the major stimulus China is now unleashing, with transportation infrastructure having pride of place and green investment being a respectable part. Now that the G20 summit has just added 1.1 trillion dollars in development stimulus, such opportunities will spread to more of the emerging and developing world. There is a good chance that G20 governance, through its anti-protectionist pledge and process, will make those markets available to you.

Second, ensure that the G20's fiscal stimulus allows you to invest in green, low carbon, transportation and infrastructure, in ways that best support your commercial competitiveness and the global climate control cause. One way is to ask for a G20 working group on green investment and infrastructure to chart the best path. Another is to have international organizations, working with specialists in industry, monitor how much of each country's stimulus is genuinely green, and how all could make theirs greener still.

Third, keep pressing for a long-term regulatory framework for climate change to be set soon. This was the one recommendation from business that G8 environment ministers in April did not adopt. Business should ask that the UN at Copenhagen, or the G8 and its partners elsewhere, quickly conclude a beyond-Kyoto deal in which the emerging economies — now the leading climate powers of the present and future — will play their full part.

Fourth, organize yourselves as a sector to offer a bottom-up climate control strategy of your own. The G8 and its partners are likely to welcome this, and the new climate regime should have space for this approach. This seems better than letting governments decide on short-, medium- and long-term targets and then order industry, from the top down, what to do with a one-size-fits-all approach.

Fifth, get into the G8 game by asking for a ministerial meeting, with you there, in the lead up to the G8 summit in 2010. It can again be a meeting of environment ministers, or of energy ministers, or even the first ever meeting of G8 ministers directly responsible for industry and transportation. It could be accompanied by official-level, multi-stakeholder, G8-centred groups to work continuously on key priorities and highlight progress on key technologies, as the G8 Renewable Energies Task Force did from 2000 to 2001.

Sixth and finally, ask the G20 to fulfill its promise to keep trade and investment open, so that the economically and environmentally best trucks and buses can be built, sold, serviced and operate anywhere in the world. One way is to call on the G20 in September to agree on full, fast, free trade in environmentally enhancing products, where the best trucks and buses will have a strong place.

You, as the experts, will have additional ideas and initiatives. I look forward to working together to make G20 and G8 governance work even better for you and the world.