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## The G8's Contributions to Twenty-First Century Governance

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## 14 The G8's Contributions to Twenty-First Century Governance

By John J. Kirton, Joseph P. Daniels, and Andreas Freytag

### Introduction

As the twenty-first century opens, is a new global order emerging and is the G7/8 at the centre of it? There is no reason, of course, that the marking of a millennial moment in itself should convey a presumption that a fundamental transformation is underway in the international system, nor in the international institutions and principles, norms, and rules that govern it. Moreover, the preceding decade of the 1990s, prompted by the end of the European cold war and the onset of rapid 'globalisation', witnessed major changes, a veritable outpouring of new paradigms and an even richer debate about what an emerging new system would be (Boyer *et al.* 2000).

Nonetheless, there are several powerful and pervasive phenomena that suggest that the emergence of a genuinely new system and the search for an order to govern it are underway. The intensity, global contagion, and domestic impact of the 1997-99 financial crisis, when juxtaposed against the triumph of the booming 'Goldilocks' economy in the U.S. and vibrant growth in most other G7 countries revealed how interconnected the old nation-state-based system and international economy was, how vulnerable even the most powerful members were, and how fragile the inherited international institutions, largely conceived and constructed for the world of half a century ago, could be (Kaiser, Kirton, and Daniels 2000). The pervasive impact of accessible electronic technologies, now rapidly spreading from finance to the entire economy, information, education, and political mobilisation, and from the U.S. and G7 countries to much of the world, produced a penetrated nation-state and an instrument that all citizens, every day, can experience and employ (Deibert 1997). Largely as a result, there is a much greater demand from a broad array of civil society actors and citizens for direct access to and participation in international institutions. There is also a broad call for the revision or rejection of the principles, norms, rules and decision-making procedures that have guided the entrenched galaxy for so long.

The chapters in this volume suggest that in many instances a new system is emerging, and with it, at least in embryonic form, the new principles and processes of global governance that respond to its central features. At the same time, the degree of change and the depth and form of the emerging and required normative and institutional responses remain highly contested. Indeed, there are those whose values and analytical tools suggest that amidst the apparent

novelty and confusion of the post-crisis years, the longstanding fundamentals of governance based on the nation-state and classic liberal precepts do and should endure. Others applaud the signs of success already apparent amidst the ongoing struggle to develop and embed a more socially safeguarded, legitimate, inclusive global order. Still others call for a much more wide-ranging and aggressive program to redesign global governance on the foundation of democratic principles and processes (Held 1995; Archibugi, Held, and Kohler 1998). And still others, with fresh memories of the 1997-99 crisis and the continuing economic, educational, ecological, and human impoverishment and insecurity in much of the world warn of coming chaos and collapse (Arrighi and Silver 1999).

Amidst this diversity, the chapters in this volume contribute in various ways to the large and ongoing debate about the desirable and feasible approach to constructing, or more modestly guiding, a new global order (Dewitt, Haglund, and Kirton 1993; Cox 1996). Yet, despite this diversity, these analyses provide a foundation for an independent judgement about the move toward a new global order and the role of the G8 in this process. They also identify some common themes to guide future work. This concluding chapter thus examines, first, the achievements of the 1999 G7/8 Cologne Summit in international policy co-ordination on key issues, as its accomplishments appeared at the Summit's end and over the following year. It then similarly explores the contribution of the Cologne Summit in putting in place a new set of principles -a Cologne consensus on socially sustainable globalisation -that marked a sharp departure from the prevailing neoliberal orthodoxy dominant in the G8 in the past and that set an appropriate foundation for global governance in the twenty-first century. It next offers a more sceptical view of the achievements of Cologne in particular and the G8 process of policy co-ordination in general, particularly as an approach to guiding global order in the future. It ends by summarising the judgements of the authors in this volume on these issues, and the agenda and approach they see as appropriate for the G8 and global governance as the new century unfolds.

## **The Achievements of the 1999 Cologne Summit**

Assessments of the contribution of any individual G7/8 Summit have classically rested on judgements regarding the Summit's performance on its core function of reaching timely, well-tailored, ambitious, concrete, and often comprehensive agreements to co-ordinate policy in regard to the major issues faced by the G8 and the international community at the time and in future years (Putnam and Bayne 1987, Bayne 2000). While the Summits also perform valuable roles by allowing leaders to deliberate among themselves and set directions to guide global order

(Baker 2000), it is in the realm of taking decisions to co-ordinate policy that they are judged in the first instance. And while each Summit faces a different configuration of challenges, from fast-breaking crises of the moment, through compounding problems that have gone unsolved over the past several years, to forward-looking efforts to prevent crises and build a new order that anticipates and shapes the future, all are, by the prevailing standard, equally capable of making a major historical mark.

By these stringent standards, most informed observers concluded that the Cologne Summit was one of high achievement. Sir Nicholas Bayne (2000, p, 195), who, with Robert Putnam is the historic master grader of Summit co-operative achievements, awarded Cologne a grade of B+ by virtue of its accomplishments on debt, Kosovo, and finance. By this calculus, Cologne ranked equally with Birmingham in 1998, Halifax in 1995, Paris in 1989, and the two Tokyo Summits of 1979 and 1986. In the quarter-century history of the Summit, only Rambouillet, France, with an A-in 1975, and the legendary Bonn I in 1978 with an A surpassed Cologne. Even a usually sceptical media, pronouncing on Cologne as the Summit ended, offered a more charitable conclusion of its value than usual.

Similarly, John Kirton (1999a), assisted by the G8 Research Group, awarded the leaders' collective performance a grade of A- at the immediate conclusion of the Cologne Summit. Over the five-year period that the G8 Research Group has been assessing overall G7/8 performance by its distinctive calculus, this placed Cologne as the most successful Summit of the second half of the 1990s. It was tied with Denver 1997 at A-, and ranked ahead of Lyon 1996, Birmingham 1998, and Okinawa 2000, which each received a B+.

Such conclusions are indeed sound. Seldom before has a G7 and now G8 Summit been forced to address -and asked to resolve -the largest issues facing the world in both the political security and economic domains, while simultaneously dealing with the many issues, once domestic, that are now a routine part of G7/8 governance. In addition, Cologne featured an unusually comprehensive and demanding agenda. It was the first time the preparation for the G7 Summit occurred while most of its members were at war, and it was the first to open when the G8 had to conclude the peace and to plan and finance a post-war reconstruction effort. At the same time, it took place as a still fragile global economy was emerging from a two-year succession of financial crises that threatened at one point to engulf even the vibrant U.S. economy. As a result, the international community had to make critical decisions on the shape of an international financial system appropriate to the needs of a increasingly globalised world and its anxious citizens. In response, the G7/8 at Cologne put forward a set of recommendations designed to resolve both these central issues, and to do so in ways that strengthened its seminal mission of

forwarding the principles of democratic governance, social protection, and market-oriented economies in a rapidly changing world (see G7 1975).

The major achievements of the Cologne Summit and the grades awarded by John Kirton are summarised in Table 14.1 and examined individually by issue area below.<sup>2</sup>

## **1. Russia (A)**

The crowning overall achievement of Cologne, seen across several issue areas, was the inclusion of Russia as a full member of the G8, in terms of psychological self-definition as well as of formal status. Having participated in bringing an end to the war in Kosovo and pledging to help in the task of reconstruction, Russia asked to become a full member of the G 7 at the opening dinner attended by Prime Minister Sergei Stepashin. Russia thus showed that it saw where its future lay and that it was a future in which it was at one with its seven colleagues. They in turn responded with signals that they would individually provide further financial support to Russia and seek ways to include it in the World Trade Organization (WTO). For a Russia whose prime minister had turned his plane away from the International Monetary Fund (IMP) and Washington as the war to liberate Kosovo began on 24. March, it was striking that both Prime Minister Stepashin and the ailing President Boris Yeltsin flew to the G8 in Germany to join in the task of ending the war and starting the reconstruction. A Russia that found it easy to be a member of an emerging G8 when the big issue was securing money and membership for itself from its G7 partners now proved it was a full member when it was called on to make its first substantive contribution to the process and take the political lead in getting Serbia to end the war on the *GTs* terms.

## **2. Peace in Kosovo (A)**

The spirit of solidarity was evident in the conclusion of the [mal details of the peace plan in Kosovo in the hours following the opening dinner of the Summit on Friday night. The plan itself, in terms of the command and control structure and the deployment of Russian troops in various zones, was completed by ministers in other European capitals. But it was clearly the pull of and parameters set by the Cologne Summit that produced the final result. That result affirmed the core G7 desires—it integrated NATO-based command and control, and offered no separate zone for the Russians in which Serbian Kosovars might congregate and harm the process of producing a flourishing democratic multiethnic polity in the wake of the war. But it was a result that showed sensitivity to Russia's great-power status, its internal political difficulties, and its right to play a full part as a G8 member in the Kosovo operation.

It was, in fact, the G8 that produced the peace in Kosovo, on the G7's terms rather than those of Russia or its historic affiliate Serbia's. At a meeting of the G8 political directors in the lead-up to Cologne, Russia had stunned its G8 colleagues by declaring, after many weeks of firm opposition to its G7 colleagues actions, that it now wanted to work through the G8 to find a way to end the war. While Russia's partners calculated that Yeltsin had changed his position on the basis of a cold calculus of Russia's self-interest, they eagerly took up the offer and devoted their full energies, and subsequently those of their foreign ministers, to finding a formula that all could accept.

Simultaneously, amidst mounting frustration with the slow and partial results of the air war, G7 leaders had decided that they would have their first face-to-face collective discussion about the war at Cologne. Moreover, they would decide to move to the next stage by authorising the introduction of their own ground forces and those of the North Atlantic Treaty Organization (NATO), in a nonpermissive environment, into Kosovo itself. The consensus, led by the U.S. and Britain, was one that a committed Canada and the other G7 members found it relatively easy to embrace.

The deliberate intent of this diplomatic brinksmanship was to force Russia to cross the critical divide—to see if it would 'hang together' with its G8 colleagues in an historic reorientation of Russian foreign policy, or if it would remain wedded to its traditional role as defender of the Serbs. In the end, the pull of G8 membership and all that comes with it, along with other factors, proved decisive. On the eve of the Summit, the Russians informed the Serbian authorities of their impending decision. Milosevic immediately decided to withdraw his troops rather than fight a ground war he was sure to lose and risk losing the armed forces that were essential to keeping him in power in Serbia itself.

### **3. Reconstruction in the Balkans (A-)**

Russia was also an active participant in the Friday night G8 discussion on how to shape and fund a relief and reconstruction effort for Kosovo itself, for the rest of the former Yugoslavia and its neighbours, and for Southern and Eastern Europe as a whole. Russia stood with the G8 in sending a clear message that there would be no funds offered to reconstruct Serbia itself while Milosevic remained in power and while the ideal of a fully democratic Serbia and Europe thus remained unfulfilled. For Kosovo itself, a framework and funding level were established to encourage the Kosovars to return home and rebuild their society as soon as possible. In an example of balanced G8 burden sharing, among the finance ministers in particular, the European Union (EU) and the World Bank agreed to lead in the effort, with all G8 members making their

contribution in support. Many countries would be asked to give, and the G8 would serve as the steering committee to guide the effort. The precise level of the effort remained elusive at the conclusion of the Cologne Summit. However, with teams for damage assessment starting to enter the region, such figures were expected to come relatively soon. They did so at a subsequent conference involving many additional countries, and so began the long, slow difficult task of rebuilding Kosovo, in the first instance to meet essential needs such as security, civil administration, housing, electricity, and water through the coming winter.

#### **4. International Financial Architecture (A-)**

In the economic domain, G7 leaders, meeting on Friday afternoon just prior to the G8's opening dinner, built on the work of their finance ministers to give high-level confirmation of several new principles and processes for a new financial architecture for the twenty-first century (Kaiser, Kirton, and Daniels 2000). G7 leaders affirmed the principle of private-sector participation in response to future financial crises. No longer would private investors be allowed to reap the gains while times were good but rely on governments and their taxpayers to bail them out and foot the bill when crisis erupted and losses came. A second core principle was the need to build a new financial architecture and introduce crisis-response programs that gave priority attention to the social impact of the crisis and the need to protect ordinary citizens in afflicted societies from the ravages of forces not of their own making. In the realm of process, G7 leaders expanded the membership of the recently created Financial Stability Forum (FSF) to include emerging countries. Perhaps most important, they declared that the centre of the new system would not only be the IMF of 1945 with an improved Interim Committee but would also be a new forum -soon formalised as the G20 -with the forward-looking flexibility and membership more appropriate to the twenty-first century.

As the leaders left Cologne, however, they still faced the challenge of how to translate the principle of private-sector burden sharing into practice, through such tools as an emergency standstill mechanism or other means. They also confronted the formidable task of how to convince the private sector to play its part, how to stop the flight of capital from domestic investors when crises erupted, and how finally to stop the financial hemorrhaging in Russia. Obvious solutions, notably the relaunch of negotiations for a Multilateral Agreement on Investment (MAI) to encourage the flow of long-term, capital, and the management, technology, distribution systems, and markets that came with it, remained largely off the agenda (Rugman 1999). Nonetheless, the results of the G7 finance ministers in September 1999, January 2000, April 2000, July 2000, and September 2000 showed that steady progress was being made.

Another achievement came from something that did not happen—the end of any effort to fix the exchange rates of the three major currencies (Euro, U.S. dollars, yen) in target zones. Until early 1999 this issue had been strongly advocated by the German government against the advice of almost the entire economic profession. However, it was suddenly dropped after the German Minister of Finance, Oskar Lafontaine, resigned. In the views of many economists, exchange rate agreements between these currencies do not make sense since, as in the presence of divergent inflation rates, they usually exert costs on those who run sound economic and above all monetary policies. This holds true particularly if the burden to adjust to potential exchange rate changes is to be shared. Furthermore, the question remains of which is the proper and sustainable exchange rate target and reference range, and who if not the markets knows best what it is (see Chapter 3, 'Challenges for the Global Financial System'). The experience of the depreciation of the Euro in 2000 strengthens this point, as it certainly would not have been predicted by an exchange-fixing committee a year ago. To summarise, the leaders were prudent not to pretend to have better knowledge than the markets. In addition, even those more sympathetic to active currency co-ordination in cases of extreme volatility or misalignment could see little case for co-ordinated action in 1999, given the relatively stable record of the major currencies, even amidst the 1997-99 global financial crisis and the major growth differentials among G7 countries, throughout the 1990s (Kirton 1999b).

## **5. Debt Relief for the Poorest (B+)**

The Cologne Debt Initiative had long been conceived to be the centrepiece 'deliverable' of the Summit. The only question was how large the package would be. A discussion of whether debt relief for Highly Indebted Poor Countries (HIPC) does solve the most urgent problem did not take place. Rather, this was taken for granted by the leaders. In addition, the issue of moral hazard remained politically underexposed, as there was no discussion of it in the political arena.

In the end, the leaders at Cologne promised enough relief to write off much of the debt of the poorest to hasten the return of these countries to a sustainable growth track. There was a further commitment to have three quarters of the 41 eligible HIPC countries into the debt-relief process by the end of 2000. Equally importantly, in keeping with a strengthening G7 conviction during the 1990s (Gill 1993, p. 8; Clayton 2(00), the money would flow with strong conditionality, so that the new funds would not be wasted on military spending and other excesses but would be devoted to education, social infrastructure, the health of women and children, and the other programs that are required to generate real sustainable social capital and growth. Led by Britain's Tony Blair, the G7 leaders sought to involve the private sector in the effort.



Despite the importance of this advance at Cologne, however, the leaders missed an opportunity to go even further. Some countries were prepared to grant even more funds to the relief effort if other G7 partners would do more. But those partners proved reluctant, and the high-level bargain slipped away. Moreover, the pace was not as rapid as many, notably civil society advocates joined in Jubilee 2000, had hoped. The process was handed back to the International Financial Institutions before the G7 would return to it in the fall.

The Cologne Debt Initiative also demonstrated how civil society representatives and ordinary citizens could effectively influence democratic leaders within the G7 to inspire far-reaching changes (Dent and Peters 2000). Present in the many thousands at Cologne, as they had been in Birmingham a year earlier, representatives of Jubilee 2000 had a consequential role in producing the decision for faster, broader, and deeper debt relief for the poorest that Cologne affirmed. By April 2000, most G7 members had announced a full writeoff of their HIPC loans. However, the process of actually getting the relief to the recipients remained rather slow. Virtually none proved able to meet the stringent conditions set for eligibility. The U.S. Congress refused to authorise the sum necessary for the U.S. to bear its fair share of the overall debt-relief burden. And at the IMP and G7 meetings in Washington in April 2000, German officials prevented the rest of the G7 from moving forward to grant Uganda its desired eligibility for debt relief. The subsequent decision of Uganda to invade its neighbour diminished the enthusiasm of others in the G7 to proceed with generous debt relief, especially for the dozen or so HIPC countries involved in military conflict. By the time, the G7/8 Okinawa Summit opened on 21 July 2000, there appeared to be little hope that the ambitious targets and timetables set at Cologne would be met.

## **6. Trade Liberalisation (A)**

G7 Summits have been at their best when launching and concluding rounds of multilateral trade liberalisation. Cologne offered a chance to keep this tradition alive. Here, it not only lived up to expectations but also set a new standard. Urged on by U.S. president Bill Clinton at the G8's opening dinner, the leaders endorsed the launch of the Millennium Round of negotiations for multilateral trade liberalisation. This round would have a comprehensive agenda and be concluded quickly—within three years. Most importantly, it would come with social protections and democratic participation built in from the start. A regime to incorporate labour and environmental standards would be included and civil society groups would be given their chance to participate and improve the result. In the past, it has taken as long as eight years to launch a new round and eight years to conclude it, and several Summits have failed in getting

the job done (Bayne 2000). Cologne, however, launched a new round after only five years from the successful conclusion of the previous one and suggested that it would be concluded within three years.

The easy launch and schedule for concluding this comprehensive round suffered a setback in November/December 1999. At the WTO ministerial meeting in Seattle, a combination of President Clinton's ill-timed, politically oriented call for the use of trade sanctions to enforce environmental and labour standards, developing country dissatisfaction with the results of the previous Uruguay Round, and the disruptions caused by protesters engaged in acts of arson and violence meant that a fast start for a full new round was stalled. Immediately after the multilateral WTO had failed, the G7 quadrilateral trade ministers began to work to get the launch of the Millennium Round back on track. However, continuing trade rows between the U.S. and the ED over bananas, hormone-tainted beef, and export tax programs, as well as the failure of the G7 to address the concerns of developing countries, impeded these efforts.

## **7. Environmental Issues (C+)**

Somewhat surprisingly for a German-hosted Summit, environmental issues received little attention and not much of global significance was achieved. The leaders did agree that the potentially deadly Chernobyl nuclear reactors would be finally closed—a full 14 years after the 1986 explosion—by the year 2000. The host, Chancellor Gerhard Schroeder, was dispatched to Ukraine to get the job done. But the G8 largely passed on an ambitious French proposal to deal with the critical emerging issue of biosafety, even though it did give impetus to a process that produced a biosafety protocol at Montreal within the year. There was little more than lip service on the key global issues of climate change, biodiversity, oceans, and forests.

This was the more disappointing as international cross-border pollution is one of the few political problems that inevitably demands international co-operation for progress. Furthermore, a consensus across all camps has been reached after years of severe disagreement that the scarce environment can be well allocated with the help of the price mechanism. Proposals range from an international ban of certain emissions, through taxes to the international trade of emission quotas. It is theoretically reasonably clear that international environmental issues have to be addressed internationally. The policy response has to be clarified and organised politically. The Cologne Summit missed the opportunity to give important impetus here.

## **8. Education and Human Capital (B-)**

The microeconomic agenda of the Summit had a new twist on a subject with an old

Summit pedigree. The leaders issued a separate statement on education, underscoring the need for international exchanges, high standards, and innovation, including the use of electronic technologies. This was the Cologne equivalent of the emphasis that Birmingham 1998 had placed on employment—with life-long learning and the formation of human capital identified as the keys to employability and growth. The statement contained meaningful principles that extended into the difficult domains of domestic politics and areas where sub-national governments within federal systems usually jealously guard their prerogatives. But there was little concrete on new programs or processes.

Implementation proved to be more successful, and the legacy of Cologne quite robust. For in April 2000, the Japanese hosted the first ever meeting of G8 education ministers, in part to develop proposals to take to leaders in Okinawa in July.

However, it is questionable whether the Cologne charter on lifelong learning can be much more than an important and well-conceived reminder. Education policy is an entirely domestic issue that does not lead to clear international spillovers. Thus international co-ordination is not directly productive. Indirectly, it well may be of utmost use for national governments. If they want to take measures to implement new education schemes -in particular, the rise in primary and secondary school enrolment in developing countries -they can quote the charter, which then serves the function of a scapegoat. As long as the charter remains general in nature and does not give one-size-fits-all recommendations, it makes perfect sense.

## **9. Transnational Issues (C-)**

Crime was a central subject at Birmingham (Hodges, Kirton, and Daniels 1999). It all but disappeared at Cologne, giving ammunition to G7/8 critics who point to the episodic nature of the leaders' attention span. The finance ministers did some useful ground work on financial crime. But the leaders added little, even on key subjects such as the way organised crime in Russia was preventing the advent of financial stability and sustainable growth in an economy on G7 and IMP life support. Nor was there any major move forward on crime following the Summit, despite the continuing importance of the subject in the world.

## **10. Political Issues (B-)**

Cologne's contribution to the political agenda came largely in the week before the Summit when the G8 foreign ministers met. They made important advances regarding conflict prevention and human security, and agreed to meet again in December to continue their work. But even as the conflict between India and Pakistan escalated, there was little that the leaders themselves

did to address the pressing issue of weapons proliferation or regional instability beyond the Balkans.

One success was the authorisation of a G8 ministerial meeting in Berlin in December 1999 on the theme of conflict prevention. That conference did good work on an ambitious agenda, even if it failed to authorise an explicit follow-up action plan. Yet, the mere fact that the meeting was held marked a modest move toward having G8 foreign ministers provide more frequent and year-round governance, if not to the level that their finance and trade counterparts have long had. Moreover, Berlin did identify seven specific subjects for follow-up on conflict prevention and pledged to institute a culture of prevention throughout the activities of each of their members. The list of priorities and normative commitment generated pressure on the G8 to convert principles into concrete actions for Okinawa, often in ways that represented major intrusions into the domestic affairs of sovereign states. This momentum led the G8 political directors to come to consensus just before the July meeting of their foreign ministers and leaders that action would be taken in five of the seven areas Berlin had singled out.

### **The New Cologne Consensus on Socially Sustainable Globalisation: An Optimistic View**

In addition to these extensive concrete achievements on the core issues at the centre of the international agenda, the Cologne Summit made a much broader and potentially much more enduring contribution. In the largest terms, it went beyond merely revising the existing rules and norms of the international system to construct the first stages of a new set of principles to replace the neoliberal consensus that had dominated during the past few decades. These new principles moved beyond the foundation of liberal democratic governance and collective market-based economic management proclaimed in 1975, and even the consensus of embedded liberalism established in the 1940s. In essence, the Cologne Summit marked a sharp and substantial shift to a new consensus on socially sustainable globalisation. The new consensus directly addressed the anxieties of citizens about the pace and path of apparently unguided globalisation, and gave social safeguards an equal place alongside the market liberalisation and democratic governance that had long formed the foundation of the G7/8's *raison d'être*. It also, in the realm of process, for the first time promised a meaningful role for civil society actors in working with governments to foster a response that took social values into account.<sup>3</sup> Whereas the Birmingham Summit of 1998 had first identified the serious anxieties about globalisation felt by many, Cologne went beyond to put in place much more boldly a potentially convincing response.

The process had begun on the road to Cologne, in the immediate aftermath of the peak of

the global financial crisis of 1997-99 when G7 leaders issued an unprecedented separate statement on 30 October 1998 (Kirton 2000). This statement focussed directly on the social dimensions of the financial crisis. It started by declaring that all the leaders' deliberations and decisions, for the short term and longer, were conducted with a singular concern for the impact of their actions on the poor and the most vulnerable. It promised to strengthen the international financial system in ways that better protected the most vulnerable and that would minimise 'the human costs of financial crises' (G7 Finance Ministers 1998). It specifically endorsed an emergency facility in the World Bank to offset the social damage caused by financial failure for the most vulnerable groups and called for principles of good practice in social policy to protect the most vulnerable social groups.

The start of this new Cologne consensus was the clear statement by G8 leaders in their Cologne communiqué of five founding precepts that were almost entirely new.<sup>4</sup> The first was the frank acknowledgement that amidst its many benefits, 'globalization has been accompanied by a greater risk of dislocation and financial uncertainty for some workers, families and communities across the world'. It secondly noted the need 'to respond to concerns about a lack of control over its effects'. Thirdly, it proceeded with a target that gave equal place to distributional concerns as well as growth ones: 'sustain and increase the benefits of globalization and ensure that its positive effects are widely shared by people all over the world'. Fourthly, it identified an inclusive, multi stakeholder process for creating a future order. This was one, fifthly, in which social progress and environmental protection were assigned equal value to the prosperity which had dominated for so long. The Communiqué issued read: 'We therefore call on governments and international institutions, business and labor, civil society and the individual to work together to meet this challenge and realize the full potential of globalization for raising prosperity and promoting social progress while preserving the environment' (see Appendix B).

The first sign that these five founding precepts were more than preambular exhortations came in the inclusion in the Communiqué of an entirely new section on 'Strengthening Social Safeguards'. This section stood equally alongside those on the traditional subjects of the world economy, trade, employment, education, development, debt, environmental protection, arms control, and global challenges. It noted that globalisation had indeed resulted in some dislocation, particularly in developing countries, and that the institutional and social infrastructure must be strengthened to produce widely shared prosperity. It identified 'enhancing social cohesion' as an overarching target, and spoke of the need for balance between social support programs and personal responsibility. It declared social infrastructure, notably investment in basic social services during times of crisis, to be an important cause of speedy recovery, and respect for core

labour standards to be 'indispensable prerequisites for social stability'. It called on the IMP to design policies and practices that 'ensure the protection of the most vulnerable', for the implementation of standards of rights at work and child labour, and for the International Financial Institutions (IFIs) and WTO to co-operate in this regard.

This new social sensitivity was carried forward into individual sections in related realms. In addition to those protections for nonmarket values proclaimed in previous communiqués, there were several new provisions focussed on social policy itself. The treatment of the world economy highlighted social reform in Russia and the social impact of economic transformation. The section on trade noted that liberalisation had promoted social progress but that the WTO needed to be more responsive to civil society, to find a more effective way to promote social welfare world-wide, and to co-operate more with labour organisations. The employment passage endorsed the need to 'provide social safety nets that support employment' and 'take forward the social dialogue'. Treatment of development pointed to the important role of non-governmental organisations (NGOs) and civil society, the need to 'mobilize sufficient means for social services' and to achieve social development. The debt passage spoke of releasing resources to invest in social needs. Finally, the section on global issues asserted that social inequality was a cause of violent conflict and civil wars, and that transnational crime constituted a threat to social stability.

Despite these many significant advances, the vision of a socially sustainable and directed process of G8-guided globalisation and governance remained highly limited in several respects. References to social values were absent from three of the communiqué's ten sections. It was absent in regard to education, although the special Cologne Charter—Aims and Ambitions for Lifelong Learning—emphasised the role of education in achieving social cohesion. Equally surprising was the lack of attention afforded in the passage on the natural environment, despite the well-known importance of social organisation in shaping the environmental effects of trade (Commission for Environmental Cooperation 1999, Kirkpatrick and Lee 1999). Perhaps more understandable was its inability to penetrate the difficult domain of arms control.

These silences were joined by other omissions and imbalances. There was a tendency to treat the social impact of globalisation as a perception to be managed rather than as an objective reality to be changed. Social values tended to be treated as a utilitarian instrument to achieve the ultimate desired goal of liberalisation and other market values, as well as being conceived as a valued end in their own right. There was a bias toward equating social actors with the organised labour movement and the venerable United Nations-centred international organisation, the International Labor Organization. And gender remained entirely absent as a concern.

As the G8 moved from Cologne to the Year 2000 Okinawa Summit, there were important

concerns about how deep and durable this new social sensitivity would prove to be. It was possible that it was but a transitory, tactical response to the global financial crises of 1997-99 (and thus destined to disappear with the return of stability and growth), or to the particular shock of the failure of the MAL. Moreover, it was unclear whether the Japanese hosts in 2000 would be as naturally sympathetic in that Asian setting to such concerns as the 'red-green' governing coalition of Germany in 1999. As their preparations for their Okinawa Summit moved from spring into early summer, there were no clear signs that strengthening social safeguards would again be an overarching theme (Hajnal and Kirton 2000, Akaneya 2000, Weilemann 2000). Yet, the slow and tentative recovery in Japan and the rest of Asia, the jarring protests at the WTO ministerial meeting in Seattle in December 1999 and at the United Nations Conference on Trade and Development (UNCTAD) in Bangkok in February 2000 suggested these concerns would stay alive.

There was, however, some evidence that the G8's new social sensitivity might endure and even expand. The relationship between the leaders and ministerial levels of the G7/8 process can sometimes be tenuous. G7 finance ministers, meeting without Russia, have a much narrower mission than their leaders, and one that is among the least likely across portfolios in G7 governments to embrace social concerns. Yet on 25 September 1999, in Washington, the G7 finance ministers and central bank governors gave extensive emphasis to social concerns in their treatment of the two central economic pillars of the Cologne Summit—debt of the poorest and the international financial architecture. On debt, they underscored that budgetary resources should be targeted to specified social priorities, that poverty reduction programs should involve public participation, and that barriers to access by the poor should be reduced (G7 Finance Ministers 1999). In the annex on financial architecture, they included as a priority for further work the task of ensuring that 'social policies are in place to ease adjustment during times of crisis and prevent the burden of adjustment from falling disproportionately on the poorest and most vulnerable groups in society'. They affirmed the World Bank's work to develop principles and good practices in social policy, called on them to be given operational effects, and asked that 'IMF and World Bank programs take full account of the social dimensions' (G7 Finance Ministers 1999).

At Berlin in December 1999, at their special meeting to discuss conflict prevention, the G8 foreign ministers concluded that the prevention of armed conflict required an integrated, comprehensive approach in which social policies had an equal place with political, security, economic, financial, environmental, and development policies. They also included social justice as a principle on which this approach was to be based (G8 Foreign Ministers 1999).

There was, however, some diminution of concern, as the chair passed from Germany to Japan, as the subject of ministerial meetings altered and as time went on. The Communiqué of the G8 Ministerial Conference on combating transnational organised crime, held in Moscow on 19-20 October 1999, made no mention of the social dimension, despite the links between the two subjects made by G8 leaders in the Cologne Communiqué (see Appendix B). More importantly, the G7 finance ministers, meeting in Tokyo on 22 January 2000, did not refer to the social dimension of their work.

In sharp contrast, the first G8 meeting of education ministers, held in Japan on 1-2 April 2000 gave strong emphasis to the social themes highlighted at Cologne. The ministers took social development and social cohesion, along with economic development, as their overall goals, and, at the individual level, emphasised social needs, social success, and social life. They called for educational initiatives to be implemented in engagement with society as a whole and with local communities. They also pointed to the new social pressures on individuals, amidst both affluence and poverty. They highlighted the problems of poverty and social neglect and called for strong safety nets for those at risk of marginalisation. They emphasised that social and economic policy must work together equally to address these problems and shrink the 'digital divide' between the more and less advantaged members of society.

## **From Cologne through Okinawa toward Genoa: Defects and Disappointments**

The view presented in the forgoing section is an optimistic one with respect to the governments' ability to incorporate social objectives into global governance. Despite an indisputable agreement on the desirability of social cohesion and increasing welfare across the world among all schools of thought, there are other views of global leadership that are more critical of the prospects for, and desirability of moving along the path of building in social safeguards from the start. Economists especially are very sceptical, as has been shown elsewhere in this volume. Their case falls into two lines of arguments.

The first is a public choice or political economy view. The following passage gives a very brief overview of its main reasoning. It does not strive for perfection or completeness, but does give a feeling of the concerns economists usually have. Governments do not operate in isolation from different interest groups, and they depend on re-election to implement their political objectives. These two constraints are responsible for the deviation of political rationality from economic rationality. It sometimes pays for governments to favour certain groups at the expense of others and to think in a short-term way rather than within a long-term perspective. Thus, it



often occurs that economic policy does not allow for the economy to explore all potential efficiency gains.

Examples of such behaviour are legion. To name just one that has been raised in this volume, the European Community's trade policy very much reflects the fact that agriculture in the EU is highly subsidised and protected from foreign competition. The Common Agricultural Policy (CAP) is extremely costly, not only for the EU's citizens but also for third countries, and it recurrently gives rise to international conflict. Therefore, an economically rational policy would rely on the international division of labour. However, the respective interest groups in the EU are politically important and prevent an economically superior policy from prevailing. To be sure, the behaviour of the responsible European politicians is not perceived as being evil in this view. Public choice is rather about rationality in that it makes very clear the rationality behind certain policies. Furthermore, it shows that leaders—be they on a national or an international scale—are not benevolent dictators. Instead, they have their own objective functions that are, technically speaking, to be maximised.

The second argument is related to the knowledge and information that governments and markets can generate and fruitfully explore. Given that there are bits and pieces of information emerging very quickly and spontaneously all over the world that are relevant for the decision making of individuals and governments, it seems to be a good strategy to use markets as the proper place to use this information. In this view, governments should avoid as much as possible engaging in the process of setting the division of labour, be it as market participant, wage setter, or price setter. The latter includes the fixing of exchange rates. Economists are aware of the fact that a 'pretence of knowledge' is likely to occur.

In other words, the best way to make the optimum use of information about changing scarcities is to rely on decentralised activities as observable in markets. In addition, this view implies that political action should always take place on the lowest possible political level—following the subsidiarity principle. It must be acknowledged that the subsidiarity principle can be interpreted very differently. Indeed, it even can become completely meaningless, if every political action is justified with it. Nevertheless, it should be the guide for agenda setting, in particular in the international arena.

Again, governments are assumed to act with the best of intentions. The problem here is the lack of relevant information that increases with a rising political level. This holds in many policy fields, among them social policy. Thus, to summarise, economists are sceptical as to the ability of international organisations, fora, summits, and such to care adequately for social concerns. What does this mean for global governance? Should the role of G8, G20, and other

international gatherings be cut down? Not at all. Global governance is both necessary and useful. There is no disputing that in a world of increasing globalisation there is an increasing need for international co-ordination. Private and public activities in one country influence the situation in other countries -to an ever increasing extent. This volume has highlighted several fields where international spillovers are on the rise: trade in goods and services, financial flows, environmental problems, crime, and, last but certainly not least, international and even internal conflict.

Increasing globalisation calls for a new shaping of responsibilities. For instance, one field not extensively covered in this volume is the competition order. A huge debate is going on about whether international mergers and acquisitions call for international competition law. This certainly must be considered in the coming years and will enter the agenda of forthcoming summits. The same can be said for the need to devise an international regime and appropriate international institution to govern information technology on a global scale. And the need for a strong central global environmental organisation or co-ordinating mechanism and for regimes for freshwater and forests are becoming apparent. This shows that international agencies should also be flexible so they can both respond to new developments and be changed or even dissolved if old tasks become obsolete. Ever increasing structural change does not exclude these bodies. A large task of ensuring effectiveness and coherence in global governance for the twenty-first century lies ahead.

However, given the existence of political considerations as well as the relevance of decentralised information, there is one extremely important restriction on the scope of international summits. They should be used exclusively to set the rules of the game. These include international trade rules, banking regulation rules, the rules affirming independent central banks, and the like. There is no economic justification for the forthcoming summits to allow the G8 or other bodies to play in the game itself by setting prices, defining minimum wages, or minimum ecological standards that would be valid all over the world. The clear lesson of the recent history of international relations is that rules rather than discretion are a device to enhance economic growth, social justice, and high environmental standards. The WTO can be quoted as the one success story in international relations. The G8 process is the second, as long as it is used to work on rules, as it largely has done in the past.

## **Conclusion**

Throughout this volume, the assessments of the G8 approach to global governance have been diverse. They range from cautious optimism and reasonable confidence in the leaders'

ability to address and solve the relevant problems of global governance to a more critical view that does not question the need for international co-ordination but sees a limited role for the kind of co-ordination that should take place. Whereas the former sees some scope for discretionary action, the latter insists on the restriction of international fora to set the rules of the game. The issues covered as this debate unfolds span and integrate a broad range of issues, embracing trade policy, international financial architecture, environmental policy, and social cohesion.

There is much to be gained from the dialogue among different, if not entirely controversial, perspectives, and policy recommendations. They make it clear for researchers from different social science disciplines and traditions that there is a variety of standpoints justified by thorough analysis. The variety presented here in *Guiding Global Order* will contribute to a deeper understanding of the G8 process and will, one hopes, contribute, at least at the margin, to an improved and adequate system of global governance in the future.

## Notes

1. Those employing this decision-based, liberal-optimising policy co-ordination (package deal) referent tend to award lower grades to individual Summits for failing to live up to this high ideal standard in practice. Those starting from a concert conception of G8 governance, which gives greater weight to direction-setting and deliberative functions, to disasters avoided and to the *status quo* defensively pursued, tend to grade individual achievements with higher marks, consistent with more conservative conceptions of what any international institution can achieve in an anarchic work of sovereign states (see Kirton 1989). Others, such as von Furstenberg and Daniels (1993), Kokotsis (1995, 1999), and Kokotsis and Daniels (1999), rate the Summit's achievements on the compliance of the actual members with the collective commitments in the year after they were made, rather than rating the agreements reached at the Summit itself. One thus needs to wait to see if the agreements made at Cologne were actually fulfilled in order to assign a definitive grade or characterise it as 'Summit of high achievement'. Here, the 1999/2000 compliance assessment of the G8 Research Group, assessing compliance by the nine 08 members (including the European Union) with six priority issues at Cologne, embracing economic, transnational, and political-security (terrorism) domains, offer an average compliance score of +0.39 (G8 Research Group 2000). This is marginally below the +0.45 of Birmingham 1998, but above the +0.15 of Denver 1997 and +0.36 of Lyon 1996. It is also above the traditional +0.30 yielded by the seminal von Furstenberg and Daniels analysis of the economic and energy commitments of the 07 Summits from 1975 to 1989.

2. This section is based on John Kirton, 'An Assessment of the 1999 Cologne G7/08 Summit by Issue Area', as assisted by the G8 Research Group, 20 June 1999', available at <www.g7.utoronto.ca>. It has been updated to take account of new information and subsequent developments, although in general terms the initial judgements largely stand.
3. For a sceptical view see Carothers (1999-2000).
4. The G7 leaders' statement, released at Cologne on 18 June 1999, emphasised promoting social policies to protect the poor and most vulnerable, the need to invest in basic social needs, and declared: 'Social policies are the cornerstone of a viable international financial architecture. Economic development and reform must benefit all members of society' (G7 1999a). It also noted the Cologne Debt Initiative should proceed in consultation with civil society and be directed at social needs.

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