GLOBAL GOVERNANCE:
BRINGING THE SOUTH IN
The Contribution of the G8 Summit

Introduction: Globalisation and Global Governance

I believe there is such a thing as globalisation and I can define it. It is a condition where international currents penetrate ever deeper into domestic economies, driven by trade, foreign investment, technological change and financial movements. This condition is no longer limited to industrial countries – that was called interdependence. Since the end of the Cold War it has come to apply worldwide and its advance is accelerating.

I am not sure there is such a thing as global governance. But I am prepared to suppress my scepticism for the next hour-and-a-half. I take it to mean the totality of actions taken by governments – whether singly, jointly or in formal institutions, often with help from outside forces – to respond to globalisation. In this totality of actions the G7 summit, which brings together the leaders of the US, Japan, Germany, France, Britain, Italy, Canada and the European Union – and which has now added Russia to make the G8 – has made a very distinctive contribution. The role of
the summit is my theme for this panel. I think it is timely: Italy will host this year’s summit, in Genoa in July, but next year Canada will be the host.

Globalisation makes a fundamental impact on the relations between industrial and developing countries, between North and South, in two ways:

• First, it means that all countries, great and small, rich and poor, are now players in the international economic system. International institutions therefore have to respond to the needs and aspirations of all their members, not just some of them. Global governance should reflect this change.

• Second, globalisation helps middle-income countries on the way up and gives them the chance to catch up with mature industrial economies. Many countries in East Asia have demonstrated this. But globalisation can penalise poor, ill-organised and under-resourced countries, who fall even further behind. Global governance ought to counter this trend, so that the poorest countries benefit from globalisation too.

The G7 leaders were not as quick as the academic community to recognise globalisation. But since they did so, at the last Italian summit in Naples in 1994, they have given most of their attention to how best to respond to globalisation. I will not go into all of this: I shall concentrate on what they have done on issues of most concern to the South. I shall focus on five areas of activity:

1. Recognition of how globalisation affects the South;
2. Trade policy;
3. Debt relief;
4. Wider development issues;
5. Contacts between the G8 and the South.

Under each heading I shall provide an assessment of G8 treatment of these issues separately under words or ideas and under actions. The first assessment judges whether the G8 had good ideas and expressed them clearly in their declarations. The second judges whether appropriate actions followed from the ideas they expressed.

1. Recognising the Effects of Globalisation on the South

Having once recognised the advance of globalisation, the G7 responded promptly on the level of ideas. At once they launched a review of international institutions, to see if they could meet the new demands, and this was the main item at the Halifax summit in 1995. Next year, Jacques Chirac made development the main theme for the Lyon summit and invited the heads of the International Monetary Fund (IMF), the World Bank, the World Trade Organization (WTO) and the United Nations to meet the G7 leaders. Bill Clinton followed this lead by giving the 1997 Denver summit a focus on Africa.

But the development policies of the G7 were not on a par with these good ideas. In the 1990s, for example, aid flows to developing countries were shrinking. Clinton’s proposals for Africa met strong resistance in Congress, so that they were not implemented until early in 2000. The Europeans were more concerned at Denver to show that they were already doing better than the Americans, than to think of what more they should do.

2. Trade Policy

This is the main topic for Sylvia Ostry’s talk, but I cannot omit what the G7 summits
have done – or failed to do. They had been much involved in the Uruguay Round negotiations, which created the WTO, and after many broken promises they helped to bring them to a final conclusion. But when the idea of a new trade round arose in the late 1990s, the G8 summits did poorly, both in words and actions.

It is the task of the summits to try to resolve differences among the G8 members that have persisted at lower levels. It was clear at Birmingham in 1998 and at Cologne in 1999 that launching a new round would require Europe, North America and Japan to agree on an agenda that would appeal to the developing countries and show that the WTO was working for them. But at both summits the G8 failed to agree or to give trade the priority it needed. So the US and the EU went to the Seattle conference with conflicting agendas, both of which were rejected by the developing countries. No new round could be launched.

Last year at the Okinawa summit the matter remained unresolved, with the US elections looming. This year, at least, the Italians have realised that trade must be given high priority, to seek agreement in advance of the WTO meeting in Qatar later in 2001.

Part of the problem has been that the Uruguay Round agreements have proved to help rich countries more than poor ones, who are not catching up as they had hoped. Back at the 1996 Lyon summit, the WTO Director General, Renato Ruggiero, had proposed that the G7 should give duty and quota free access to the products of the least-developed countries, which make up only 0.5% of world trade. The G7 gave lip service to this idea, but nothing happened. At Okinawa, in response to the failure at Seattle, more serious commitments were made, which have led to some action. The European Union, from last month, is letting all the products of least developed countries enter free of duties and quotas. The only exceptions are arms, of course, and sugar, rice and bananas, where there will be a transition of several years. Sadly, I am not aware of comparable new actions by the United States (which rests on last year’s measures for Africa and the Caribbean), by Japan or by Canada.

3. Debt Relief for Poor Countries

The summits have done better in finance than in trade. At Halifax, Birmingham and Cologne the G7 leaders pushed their finance ministers to devise reforms to the international financial architecture in response to crises in Mexico, East Asia, Russia and Brazil. These reforms were slow to take effect and somewhat unambitious in their scope. But they have brought calm to the system for over two years now and seem able, so far, to handle the current threats from Turkey and Argentina.

The G7 leaders have played a more personal role in initiatives to relieve the debts of poor countries. These go back to the Toronto summit of 1988 and have always been pressed by Britain and Canada, with support from the Commonwealth. Early initiatives gave relief only from government debt. The main achievement of the Lyon summit was the Heavily Indebted Poor Countries (HIPC) programme, which added relief on debt to institutions like the IMF and World Bank. Germany under Kohl had problems with this, but Gerhard Schroeder decided to make debt relief the centrepiece of Cologne in 1999. The summit agreed to make the HIPC twice as fast and twice as generous.
In debt relief the G7’s ideas have been innovative and maintained with determination. Action was slower than hoped at first, as American, German and Japanese worries had to be overcome; but it accelerated later. Even at Cologne, the G7 promised rather faster action than they could deliver at Okinawa last year, which gave it a bad press there. But by the end of 2000 many poor countries had benefited and most of those that had not were prevented by civil war.

4. The Wider Development Agenda

Debt relief is the area where the summit has done most to help poor countries. But these countries remain poor even after having their debts forgiven. The G8 summit needed to get back to the wider development agenda, which had rather faded after Denver in 1997. Two major changes have affected development policy since then:-

- First, it is recognised that development policies only work when poor countries regard them as their own policies. That is, they have ‘ownership’ of their development strategy; it is not imposed from outside. This idea is incorporated in the debt relief programmes introduced after Cologne.

- Second, instead of counting inputs, like aid flows or foreign investments, there is a shift to counting outputs, like numbers of people living in extreme poverty, on less than one dollar a day, or children surviving infancy or attending school. Targets have been sent for progress in these areas between 1990 and 2015. Interim reports in 2000 showed that, on present trends, none of the targets are likely to be hit. East Asia has done very well, but much of Africa has hardly moved.

The Okinawa summit of last year made the first moves to bring the G8 back to the wider development agenda, beyond debt relief, in the light of these new approaches. Okinawa focused on three subjects especially:-

- The diffusion of information technology (IT), to accelerate development. The summit created a ‘Digital Opportunity Task-Force’ or dot.force, to pursue this.

- A programme to improve standards of health, focused on three major infectious diseases – AIDS, malaria and tuberculosis.

- The spread of environment-friendly technologies for renewable energy, on which a second task-force was launched.

In all these areas it was intended to involve the private sector, both business firms and NGOs, like medical charities, alongside government. Japan announced large financial contributions for both IT and health, but these were not matched by other G8 members.

I had been quite impressed by the ideas behind these themes at Okinawa. But I reserved judgement until I knew that the fine words would be followed by actions which matched the scale of the problems. My latest enquiries about the state of preparations for Genoa make me more hopeful than I had expected.

First, the Italian sherpa team preparing for Genoa have identified world poverty as the top priority theme for this year’s summit. They have made a clear link between development and trade, underlining the importance of progress on a new WTO round that would benefit developing countries. They are pressing
for actions to show that the Okinawa decisions on IT, health and renewable energy are bearing fruit.

There is progress, I believe, on all three topics. The synergy between IT and renewable energy is recognised, in that new energy sources can bring IT to poor areas without conventional power. The private sector participants are taking a very active part. But it took longer than expected to get private and public sectors to work in harmony, in these unfamiliar fields. So it looks as if the work of both task-forces will continue beyond Genoa.

Health is the area where the advance seems greatest, stimulated both by the tragedy of the AIDS epidemic in Africa and the controversy over the supply of drugs. Building on the results of a meeting held in Ottawa, the Italians are hopeful that Genoa could agree on a very substantial programme of help to poor countries over the supply of drugs and other health products, with support from business firms and private foundations. That could be a considerable achievement.

5. G8 Contacts with the South
The G7 summit has always been small and exclusive and the leaders want it that way. Back in 1989, they were not pleased when Mitterrand, their host, wanted them to meet a group of other heads of government who were also in Paris. Though the Russians first bid to join the summit in that same year, it took ten years before they became full members. The G8 are wary of letting other countries, like China, get a foot in the door, unless they are really sure they want them in.

But globalisation has changed the world the G8 operate in and the leaders cannot remain detached from it. They are already getting much closer to private business and to responsible NGOs, like the Jubilee 2000 Campaign for debt forgiveness. They also have to pursue outreach to the rest of the world. Here the ideas, as expressed in summit documents, are not very explicit. Okinawa did call for a new partnership with non-G8 countries, especially developing countries, international organisations and civil society, but without really explaining how this would work.

For once, however, the G8’s actions provide clearer evidence of outreach, on three levels:-

• When Mori invited the G8 leaders to meet a group of heads of government from developing countries in Tokyo on the way to Okinawa last year, there were no complaints. A similar meeting is planned before Genoa, with the participation matching the G8 agenda.

• While the G8 leaders meet on their own every year, their ministers of finance or foreign affairs may meet in combination with other countries. G8 foreign ministers, for example, have organised wider meetings on Balkan reconstruction. In particular, the G20 finance ministers, chaired by Paul Martin of Canada, bring together with the G7 other countries that are influential in the system, like China and India, Brazil and Mexico.

• Increasingly, the G7 and G8 meet not just as leaders, foreign and finance ministers, but also as ministers of environment, employment, education, energy, interior, justice and so on. What they agree among themselves they then promote in the relevant international institutions, building up wider coalitions of support.

Some argue that globalisation has
rendered the G8 obsolete and that this exclusive group should be replaced by a more representative body, perhaps with the same composition as the G20. I do not share this view and prefer to keep the wider meetings at levels below heads of government. The present format enables the US, Europe, Japan and Canada to thrash out their economic differences by the sort of direct talking only possible in a small group. Russia’s presence allows the same process in many political issues. Unless this is done, the international system marks time. Of course, it does not always work; but in a larger group the chance would be lost. I believe North-South relations are best served by the responsible and imaginative use by the G8 leaders of their current format.

Conclusion

I am encouraged, as I said, by what I know about the preparations for this year’s Genoa summit and their focus on issues of concern to developing countries. But the political conditions at Genoa will not be easy. The Italian host head of government will be new in office – though if it is Berlusconi, he has hosted a summit before. It will be the first summit for George Bush II and also for the new Japanese prime minister. Chirac may have his mind on next year’s elections. In this respect, things may be easier for Jean Chretien in 2002, when he invites his G8 colleagues to meet him at a so far undisclosed location. So if Genoa cannot realise its full potential, the Canadian summit next year may be able to make amends.