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**JOSEPH P. DANIELS**

Marquette University

**The Significance of the Economic Summits**

**Kontakt**

Akademie für Internationale Politik des Renner-Instituts

Dr. Erich Fröschl

T +43-1-804 65 01-17

froeschl@renner-institut.at

## 1. Overview

The annual economic summits were originally envisioned to be freestanding events at which the leaders would reach agreement on issues that their ministers and other international organizations were unable to resolve. The first summit at Rambouillet, for example, produced an agreement that the International Monetary Fund should legitimized floating exchange rates. US President Ford annualized the summits the following year, and increased their membership by inviting Prime Minister Trudeau.

Since that time, the annual summits evolved into something quite different from the firesides chats at Rambouillet (to an American summit model). Particularly at the beginning of the second round of summits, these annual events have grown in pomp and pageantry. But do the summits merit the attention paid to them by the worldwide media? If not, then should the forum be dramatically altered, if not abandoned all together?

Have the summits been successful? Are the summits important? Can the summits be improved? Analyses of the historical record of the economic summits conclude that the summits do accomplish something, but perhaps not as much as one would like them to. The conclusion reached here is that a streamlining of the summit process and a return to the original format envisioned by President Giscard—or a European model—is long overdue.

## 2. Have the Economics Summits Been Successful?

Wide differences in opinion on the merits of the summit process exist not only among the media, but among academics as well. One approach is to rate the summits on the participants' ability to deliver ambitious, timely, and well-tailored agreements. Economists, by way of contrast, typically rate summits based on the degree to which commitments are fulfilled, based on empirical data. Hence, the former rate the summits immediately after the event and typically rate the summits higher in achievement. The latter wait for the economic evidence to emerge and typically rate the summits lower. Regardless of the approach, the success of the summits, particularly in terms of the participants delivering coordinated economic policy packages, varies across years and issue area. Recent studies conclude that the personalities and philosophies of the actors and the quality of the ministries involved in completing policy actions can explain much of this variability.

## 3. Are the Economic Summits Important?

Critics of the summit claim that it lacks credibility and effectiveness because it exclusive body that shuts out important economic and political players such as Brazil, China and India. At the same time, many inclusive organizations such as the WTO are also criticized as being understaffed technical bureaucracies with no political clout. Indeed the G8 is an exclusive "club," and this exclusivity is the strength of the organization. This feature allows the G8 to press forward and sustain fundamental shared visions of global openness, economic integration, democratic governance, and sustainable market economies. The exclusive nature also helps to narrow the issues discussed to those that meet core criteria for effectiveness.

In particular issue areas, specifically those in which there is a common element or significant spillover to partner nations, the summits have been and can continue to be very important. In the past the summits proved to be an important forum for a re-design of the international financial architecture (1975), coordinate policy packages to stimulate economic growth (1978), and addressing exchange rate misalignments (1985-1987). More recently they facilitated progress on debt relief for the poorest nations and reform of the international financial architecture. Hence, the G8 may be formally exclusive in nature, but is not, nor need not be exclusive in substance.

In spite of the successes given above, the summits have failed in other important areas. Throughout the 1980s and 1990s, the summits have done little to shape public opinion on multilateral trade and investment, illustrated by increased regionalism, and struggles to launch a new multilateral trade round and advance a multilateral agreement on investment. Likewise the summit participants missed an opportunity presented to them by the Japanese contingent to act quickly on the 1997 East Asian financial crisis. In spite of these shortcomings, the G8 remains at the center of global governance today.

#### **4. Can the Economic Summits Be Improved?**

Since 1975, the economic summits, as a pseudo global institution, evolved in terms of structure, issue areas, and approach to problem solving. To economists, the 1975 Bonn summit is the hallmark of international economic policy coordination. This summit, however, also marks the eventual movement away from economics as it issued the first shared statement on a non-economic issue. Despite the claims of the Blair administration, specifically Chancellor Brown at the 1997 summit to “put the economics back into the summit,” economic issues are still delegated to the G7 finance ministers and central bankers. Nevertheless, given the competency of the G7 ministers and bankers, agreeing on vision and delegating details to the ministers may be the most efficient formula for addressing macroeconomic issues.

One direction not to move toward is the G8 becoming an all-inclusive institution. It should remain exclusive in a formal sense but not in substance, otherwise it will surely lose its effectiveness. Curtailing the pomp and circumstance, streamlining the summit format, and narrowing the issues on the summit agenda to those that meet the core criteria for effectiveness, however, should produce fewer, yet higher quality policy agreements that are more likely to be fulfilled. The protests at the Genoa summit and the events of 11 September in the United States certainly urge the leaders to return to a Rambouillet model.

*Es gilt das gesprochene Wort.*