

**Explaining G7/8 Multilateral Trade Commitments:
Is the G7/8 still relevant?**

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Abstract

Since its establishment in 1975, the Group of Seven (since 1998 the Group of Eight) participants have consistently supported the role of the General Agreement on Tariffs and Trade (GATT), and since 1995 its successor, the World Trade Organization (WTO), in monitoring trade agreements, ensuring the openness of the trading system, and as a forum for negotiations. With respect to multilateral trade negotiations, the commitments made by G7/8 participants traditionally have called for new rounds, shaped the negotiating agenda, broken impasses through increasing pressure on individual member governments to offer concessions, and served as useful deadlines for negotiators.

However, the current Doha Development Agenda negotiations have witnessed two developments that potentially challenge the traditional roles played by the G7/8. Firstly, newly active members of WTO from the South have established the Group of 20 (G20), consisting of developing countries, that highlights the special trade needs of their economies. Secondly, to encourage progress between the periodic WTO ministerial meetings, mini-ministerial meetings consisting of a segment of the WTO membership, and most recently a "G6" meeting bringing together some members of the G8, G20 and Cairns group of agricultural exporter countries, are increasingly being held. These developments thus raise the question of whether, in the multilateral trade arena, is the G8 still relevant?

This paper examines the record of G7/8 commitments and compliance in the area of multilateral trade between 1975 and 2005 focusing on the evolution of the group's role and the challenges it is facing. The impact of the G7/8 on the negotiations of the GATT Tokyo and Uruguay Rounds are briefly discussed while the summits that have occurred during the current WTO Doha Round are evaluated in greater detail including the interaction between the G8 and the G20. Finally, the prospects and challenges of the upcoming 2006 St. Petersburg Summit, the likely final G8 summit of the Doha Round, are discussed in order to offer a tentative answer on the continuing relevance of the G8 in trade.

Introduction

The Group of Seven/Eight (G7/8)¹ has consistently supported the role of the General Agreement on Tariffs and Trade (GATT), and since 1995 its successor, the World Trade Organization (WTO) in working to achieve greater openness in the multilateral trading system. From the time of the first Western Economic Summit in Rambouillet, France in 1975, the leaders of the most industrialized countries have voiced their support for a more liberal trading system. In words that still guide the G7/8 30 years after they were first written in the 1975 Rambouillet Declaration, the G7 stated:

We must seek to restore growth in the volume of world trade. Growth and price stability will be fostered by maintenance of an open trading system. In a period where pressures are developing for a return to protectionism, it is essential ... to avoid resorting to measures by which they could try to solve their problems at the expense of others, with damaging consequences in the economic, social, and political fields (Rambouillet Declaration. Pt. 8. 1975).

However, throughout its existence, including the GATT Tokyo Round (1973-1979) and Uruguay Round (1986-1993) and particularly during the on-going WTO Doha Round that began in 2001, the record of the G7/8 in both issuing and complying with strong commitments for advancing multilateral trade negotiations has been mixed.

This lack of consistent support for multilateral trade rounds has resulted in the G7/8 receiving criticism as well as increasingly being considered irrelevant in the area of multilateral trade. Charges include failing to show the necessary political leadership and the apparent inability or unwillingness of the leaders to fully implement their

¹ The G7, consisting of Canada, France, Germany, Italy, Japan, the United Kingdom and the United States, expanded to the G8 with the addition of Russia in 1998. However, the G7 Finance Ministers, which discusses the issue of trade in advance of the G8 Summits, has not yet expanded to include Russia, who is not yet a member of the WTO. In addition to the official members, since 1977 the European Community (EC), renamed the European Union (EU) after 1993, has been a participant in the G7/8 Summits represented by the European Commission as well as the Presidency during summits hosted by non-European members of the G8.

communiqué pledges. During the Tokyo and Uruguay Rounds, the G7 urged progress among the group's participants, and specifically between the US and the EU whose differences were the primary reason for stalemate. During these two rounds, the relevance of the G7 for multilateral trade negotiations was visible. This relevance was perhaps not visible at each individual summit, but over the course of the rounds G7 commitments frequently led to tangible results such as breakthroughs in negotiations. Bayne explains this iterative nature of the G7 summits:

The summits do not achieve results by flashes of prescient, inspirational decision-making, sparked by the personal chemistry between leaders. There are a few examples of this, but they are very rare. Nor do they often achieve, at the first attempt, a definitive settlement of issues which can then be handed on to other institutions. Nearly always their achievement comes from dogged persistence, a sort of "worrying away" at the issues until they have reached a solution (1999: 25).

However, since the start of the Doha Round, the structure of multilateral trade negotiations has witnessed significant changes in the structure of the negotiation process that raises potential challenges for the ability of the G7/8 to influence the multilateral trading system.

Firstly, whereas in previous multilateral trade rounds, the major actors were developed countries (i.e., the G7), and in particular the Quadrilateral Group of Trade Ministers (Quad) consisting of the US, EU, Canada and Japan that was formed with the support of the G7 in 1982, the Doha Round has seen the rise of a united and proactive coalition of developing countries (i.e., the G20)². Given that a primary reason for continued lack of progress in the Doha Round is lack of agreement between G7/8 and

² The G20 has had somewhat of a fluctuating membership since it was established in August 2003. However, as of mid-March 2006 the membership includes: Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela, and Zimbabwe.

G20 countries, the continued relevance of the G7/8 commitments in trade when made in isolation from the G20 must necessarily be questioned.

Secondly, to encourage progress between the periodic WTO ministerial meetings, mini-ministerial meetings are now increasingly held on the side-lines of international meetings. These meetings may have the effect of reducing the relevance of the annual G8 summits in providing effective leadership in multilateral trade rounds, especially when combined with weak trade commitments in successive G8 summit communiqués as has been the case over the last several years.

Although the G7/8 still has the potential to provide effective leadership to the multilateral trading system, specifically in multilateral trade negotiations, this paper argues that as the multilateral trading system evolves, the G7/8 must also evolve to adapt to the new structure. To meet the challenges of remaining relevant in the evolving multilateral trading system, the G7/8 will need to develop more regular relations with the G20 as well as strengthen its commitments and compliance in the area of trade.

In charting the relevance of the G7/8 in the area of multilateral trade negotiations, this paper firstly examines the record of G7/8 commitments and compliance in the area of multilateral trade between 1975 and 2005. It then discusses the challenges to the relevance of the G7/8 in trade including the establishment of the G20, the increasing utilization of mini-ministerials and the recent weakness in commitments on trade. It highlights the challenges and prospects for trade issues at the 2006 St. Petersburg G8 Summit despite Russia not being a member of the WTO. Finally it offers tentative conclusions on the how the G7/8 may increase its relevance in trade.

G7/8 Activity and Achievement in Trade

This section reviews the factors that may create both effective and ineffective G7/8 summits in the area of trade. Effective summits may be defined as those that result in strong statements on trade that include political leadership, detailed language suggesting the way forward, and personal commitment of the leaders. Effective G7/8 summits serve to: 1) Call for new trade rounds; 2) Shape the negotiating agenda; 3) Break impasses through increasing political pressure on individual member governments to offer concessions; and 4) Serve as useful deadlines for negotiators. Examples are drawn from the G7 summits that dealt with the Uruguay Round as well as the G8 summits that took place immediately prior to and during the Doha Development Agenda negotiations. The summits covered are the Uruguay and Doha Development Rounds:

Uruguay Round

Year	Location	Commitment	Impact³
1985	Bonn	Members divided on new round	-
1986	Tokyo	Political impetus for new round	+
1990	Houston	Political re-commitment	+
1993	Tokyo	Market access breakthrough due to political pressure	+

³ A ‘-’ symbol indicates a G7/8 Summit which had little, or negative, impact on multilateral trade negotiations, while a ‘+’ symbol indicates an effective summit resulting in a positive impact.

Doha Round

Year	Location	Commitment	Impact
1998	Birmingham	Focused on anniversary of GATT, not on new round	-
1999	Cologne	Members divided on new round	-
2000	Okinawa	Lack of political leadership and personal commitment	-
2001	Genoa	Pledges of personal commitment, need for transparency and incorporation of developing country concerns	+
2002	Kananaskis	Only brief re-statement of need to resist protectionism; no new initiative	-
2003	Evian	Lack of personal commitment and political leadership	-
2004	Sea Island	Call for all WTO members to agree to negotiating critical framework by July 2004, but no new commitments for conclusion of the Doha Round.	-
2005	Gleneagles	Agreements announced on debt relief and development assistance, but only pledge to 'increase momentum' for end of round.	-

G7 Performance during the Uruguay Round

Since the 1980s, G7 summits have been used as platforms by individual leaders in calling for new multilateral trade talks. At the 1985 Bonn Summit, US President Reagan issued a strong call for an early start to a new trade round. However, the leaders were divided, with France refusing to accept a start date of early 1986. Thus, the Communiqué

read “*Most of us* think (that the starting date of a new round) should be in 1986” (Bonn Economic Declaration; Pt. 10. 1985).

In contrast to the weak and divisive position G7 leaders took in Bonn, the 1986 Tokyo Summit gave political impetus to the UR through issuing a strong and cohesive statement in support of a new round. In fact, the leaders went so far to suggest which issues should be included in the negotiations by stating: “The new round should, *inter alia*, address the issues of trade in services and trade related aspects of intellectual property rights and foreign direct investment” (Tokyo Economic Declaration. Pt. 12. 1986). There was an additional paragraph dedicated to the contentious issue of agriculture. The Tokyo Summit may be considered effective due to the leaders agreeing on a common and detailed statement regarding the Uruguay Round. They also provided the political pressure necessary for certain GATT members to agree to a September start date and pledged to stay involved in the GATT process to ensure the round was successfully launched.

As the host of the 1990 Houston G7 Summit, the United States was eager to make progress on the Uruguay Round negotiations, especially the difficult agricultural discussions. The final G7 Communiqué sent a clear and firm message to the negotiators that the political leaders had placed the conclusion of the Uruguay Round at the top of their agenda. They pledged to “take the difficult political decisions” as well as to “maintain a high level of personal involvement” (G7 Communiqué: July 11, 1990: Pts 19 and 23). Although the immediate impact of the Houston Summit on agriculture was short-lived due to the EC’s back-peddling on their pledges, the long-term impact was more significant as it provided summit innovations. Firstly, it was the first time that the

leaders had provided negotiators with detailed advice on moving the trade negotiations forward. Secondly, the leaders also pledged to become personally involved in the negotiations. This element in particular has proven to be a key element in the G7/8 leaders having a positive impact on negotiations both at and between summits.

The expiration of United States fast-track authority on December 15, 1993 provided a critical deadline for the Uruguay Round. Immense political pressure was placed not only on Japan, the host country of the 1993 Tokyo Summit, but also the other three members of the Quadrilateral Group of Trade Ministers (Quad), the United States, EC and Canada. After marathon talks and a surprise concession from Japan on whiskey and brandy, a significant breakthrough was achieved on July 7 in the form of a substantial market access package. The next day the G7 were able to announce the deal at their summit. A press report stated:

In what could well end up as the biggest surprise and most important accomplishment of the G7 summit meeting, trade representatives of the world's major economies appear to have succeeded in what some had thought impossible. On (7 July) they gave a new lease on life to moribund world trade negotiations and a boost to the idea of free trade at a time when the concept is under attack by word and deed (*International Herald Tribune*; July 8, 1993).

Following the summit, the other GATT contracting parties discussed the Quad's agreement in Geneva. At the same time, the US and EC held several months of intense bilateral negotiations, primarily over agriculture but also financial and audiovisual services. On December 6, 1993, the US and EC announced that they had reached an agreement on agriculture. Japan also agreed to allow limited imports of foreign rice. On December 14, Peter Sutherland, the Director General of the GATT announced that "the gavel has fallen on most of the Uruguay Round agreement" (*Financial Times*; December

14, 1993). The Quad/G7 initiative had clearly paved the way for the successful conclusion to the Uruguay Round.

G7/8 Performance during the Doha Development Agenda

The summits that have occurred in the run-up to and during the Doha Development Agenda (DDA) negotiations have shown a consistent lack of effective leadership among the G7/8 that has raised calls questioning their continuing relevance in issues of trade. The G7/8 summits during the DDA have been characterized by lack of personal commitment and re-statements of weak commitments that “often willed the ends without willing the means” (Bayne; 2005: 121). Additionally, Cohn (2003) notes that the decreasing G7/8 leadership in trade has “inevitably had a negative effect on the Quad” (263). While the Quad had significant impact during the Uruguay Round, regular meetings of the Quad declined in the post-Uruguay Round period and since 2001 have not occurred.

The 1998 Birmingham Summit

The 1998 Birmingham Summit took place one week prior to the 1998 WTO Ministerial held in Geneva marking the 50th anniversary of the establishment of the GATT. The Birmingham Communiqué focused on a general reaffirmation of the merits of continued liberalization. As they had done in Lyon in 1986 and in Denver in 1997, the leaders again called for greater participation by developing countries within the multilateral trading system. However, no new initiative or commitments were proposed. Notably, the G8 did not address the need for new trade negotiations. The group’s failure to offer solid proposals on contentious issues such as trade and the environment and trade and labor during the 1998 Birmingham Summit contributed to the difficult and frustrating

discussions among WTO ambassadors in Geneva in the last few months before the 1999 WTO Seattle Ministerial that was meant to launch a new round of trade talks.

The 1999 Cologne Summit

In 1999 at Cologne, the G7/8 leaders failed to reach a consensus on the agenda of the planned new Millennium Round. This was a significant failure as it again failed to provide their trade ministers with shared political direction in the critical period before the Seattle Ministerial. Although the leaders discussed several key issues, including pursuing an ambitious new trade round, involving developing countries more widely into the negotiations, and incorporating environmental and labor concerns into future trade negotiations, the US and the European Commission failed to come to an agreement on various elements of the proposed round. While the EU insisted on having an ambitious comprehensive round, the US favored a more limited agenda. In the end, the Cologne Communiqué pleased no one by weakly calling for “a new round of broad-based and ambitious negotiations with the aim of achieving substantial and manageable results” (G8 Communiqué Köln Final; June 20, 1999). Compared to the 1996 Lyon Summit that offered considerable detail for the upcoming WTO Singapore Ministerial, in Cologne the leaders offered little in the way of specific suggestions for Seattle.

The 2000 Okinawa Summit

Following the failure of the 1999 WTO Seattle Ministerial to launch the a new round of multilateral trade negotiations and the weak trade statements coming out of the G7/8 summits in previous years, Okinawa was a critical summit for the issue of trade. In particular, strong political leadership regarding the launch of the Doha Development Agenda was needed. While there was no meeting of the Quad immediately prior to the

Summit, trade was high on the agenda at the EU-Japan Summit on July 19, 2000. Japanese Prime Minister Mori and EU leaders, including French President Chirac, who held the six-month rotating European Council Presidency, and Commission President Prodi, stressed their commitment to launch the next round “during the course of this year” (*The Daily Yomiuri*; July 20, 2000: 3). However, at a press conference in Tokyo on the same day, United States Trade Representative Charlene Barshefsky stated the US position:

...consensus for a new round should be sought and achieved at the earliest possible opportunity including this year...the key to the launch of the new round will be the substance. And when that substance will be achieved, whether this year or next, a new round will be able to launched (Washington File; July 19, 2000).

Barshefsky’s statement hinted that, while the US strongly supported a new round, it would be hesitant to fully support a launch before the agenda was clarified. Therefore, the Okinawa summit began without a clear consensus, at least among three members of the Quad.

During discussions on the second day of the Summit, G7 participants at one point reportedly expressed their strong support of launching a new round by the end of 2000.⁴ However, the leaders agreed that it be left to the sherpas to prepare the final Communiqué language. The sherpas subsequently watered down the wording of the Communiqué. Similar to Cologne, the Okinawa Summit Communiqué resulted in a relatively weak statement due to a lack of both consensus and of political leadership. In words identical to those issued after the EU-Japan Summit, the communiqué stated the leaders pledge to “intensify our close and fruitful cooperation in order *to try together* with other WTO members to launch such a round during the course of this year (G8 Communiqué; July

4 Stated by a UK spokesman during a press briefing at the Okinawa Summit.

23, 2000: Pt. 36 and EU-Japan Summit-Joint Conclusions; July 19, 2000. Emphasis added).

However, while the G7's call for a new round was disappointing, the Okinawa Summit did include other current issues relating to the multilateral trading system. The leaders addressed the 'legitimate concerns' of the WTO's developing country members to be better incorporated into the multilateral system (G8 Communiqué, July 23, 2000).

The 2001 Genoa Summit

In Genoa at the 2001 Summit, the Communiqué was stronger than in past years on the issue of trade. Regarding a new round, the G7 leaders issued a statement on the first day of the summit in which they agreed to “engage personally and jointly” in launching an ambitious new round at the WTO Ministerial meeting scheduled to take place in Doha, Qatar later in the year (G7 Statement; July 20, 2001). In addition to calling for a balanced agenda, the leaders also stated the need for increased WTO transparency and interaction with civil society as well as more effective Dispute Settlement Procedures. The G7 and G8 communiqués addressed the need for the new trade talks to better incorporate developing countries including increased market access to developed countries, capacity building and technical assistance. Although many of the more contentious issue areas such as agriculture or the new issues were not addressed, the personal and political engagement of the G7/8 was evident in Doha in November 2001 where the Doha Development Agenda was successfully launched.

The 2002 Kananaskis Summit

The 2002 Kananaskis Summit, rather than producing the regular communiqué, resulted in a brief Chair's Summary with trade only mentioned in passing. The leaders

were extraordinarily concise as well as weak in announcing that they had “agreed to resist protectionist pressures and stressed [their] commitment to work with developing countries to ensure the successful conclusion of the Doha Development Agenda by January 1, 2005” (Kananaskis Summit Chair’s Summary; June 27, 2002).

The 2003 Evian Summit

Given that the 2003 Evian Summit took place only four months prior to the Cancún Ministerial, it was of utmost importance that the G8 show solidarity and accountable political leadership in acting to ensure that the Doha negotiations were put back on track. Leading up to the summit, there were indications that Evian had the potential to be strong on trade. Public pressure in the form of a joint statement by the heads of the WTO, IMF and World Bank urged the G8 to show political leadership, while many civil society groups were vocal in emphasizing the need for a successful conclusion of the Doha Round and the necessity of G8 leadership. Additionally, trade was placed high on the agenda by summit host, French President Jacques Chirac with the G7 Finance Ministers highlighted the critical importance of the “timely implementation of the Doha Development Agenda” for global growth. (Statement of G7 Finance Ministers and Central Bank Governors; April 12, 2003).

However despite these positive signals, the leaders failed to show significant personal commitment and engagement. Such political support is a critical element as it directly impacts the work of their respective trade ministers. Given that the G8 leaders were to meet with several leaders of key developing states immediately prior to the summit, a joint statement of personal commitment from both developed and developing leaders

would have provided a show of solidarity as well as a much-needed political boost to the Doha negotiations.

At Evian, the G8 only produced a general statement on trade that failed to offer the leadership, political will, or personal commitment necessary to place the Doha negotiations back on track before the Cancún Ministerial in September 2003. This lack of personal commitment, coupled with a seriously overloaded agenda at the WTO Cancún Ministerial due to many of the key deadlines prior to the meeting having been missed, contributed to the failure of the Ministerial.

The Evian Summit was a lost opportunity for the G8's leadership in trade as well as for the multilateral trading system. The stalemate that occurred within the Doha Development Agenda following the failure of the Cancún Ministerial resulted in the negotiations being "in need of intensive care" (EU Trade Commission Pascal Lamy as quoted in *The Financial Times*, September 16, 2003: 21).

The continuing robust health of the G20 coalition that was established in August as a means to raise the voice of developing countries within the WTO negotiations may serve to breathe life into not only the DDA but also the G8 – if these developed countries rise to both the challenges and opportunities posed by this new group.

The 2004 Sea Island Summit

The Sea Island Summit, held on June 8-10, 2004 was a critical meeting given its timing less than two months prior to a July 31 deadline for WTO Members for agreement on a negotiating framework package. After the weak Evian Summit, Sea Island would be decisive in terms of showing whether the G8 still was relevant in the area of multilateral trade negotiations. Prior to the Sea Island Summit, three out the four factors that

generally lead to effective summits existed. Firstly, there was an agreed agenda prior to the start of the summit with the US hosts highlighting trade under its theme of prosperity, one of three themes of the summit.⁵ Secondly, as at Evian, there was strong public political pressure. In the weeks leading up to the Sea Island Summit, international civil society as well as international organizations voiced strong pressure for the G8 to show leadership in trade and development issues including from UN Secretary General Kofi Annan⁶ and the OECD⁷. Thirdly, there was a viable negotiating framework prior to the summit. Unlike the series of missed negotiating deadlines and lack of political will on behalf of key G8 members prior to the 2003 Evian Summit, the US and EU made significant efforts to move the Doha negotiations forward prior to the Sea Island Summit.⁸

Notably, there was increasing discussion between developed and developing WTO Members on the most contentious issues, including a mini-ministerial on the sidelines of

5 The other two themes were freedom and security.

6 In March, United Nations Secretary-General Kofi Annan met with the G8 Contact Group on food security in Africa. He urged the developed countries of the G8 to reduce agricultural subsidies and encouraged G8 involvement in the New Partnership for Africa's Development (Secretary-General Statement; UN: 5 March 2004).

7 At the conclusion of the OECD Ministerial Council, held 13-14 May, the Chair's Summary stated that the ministers had agreed that "all participants must now translate political will into concrete and decisive actions that give impetus to the technical work in Geneva until July, and which move forward the Doha Development Agenda, to the benefit of citizens worldwide" (OECD; Chair's Summary: 14 May 2004).

8 In an attempt to break the stalemate in the Doha negotiations following the Cancún Ministerial, US Trade Representative Robert Zoellick sent a letter to the other Members of the WTO in January 2004 suggesting that frameworks for negotiations in the stalled trade round be agreed by mid-year. He stated that the negotiations "will require a commitment to work toward effective and productive compromises by all WTO Members, and the United States recognizes its responsibility to help push towards our mutual success" (USTR; February 8, 2004). In February, Zoellick embarked on a whirlwind visit to key capital cities in both developed and developing countries in order seek a way forward. On the part of the EU, In May 2004 EU Trade Commissioner Pascal Lamy and Agriculture Commissioner Franz Fischler issued a joint letter to the other Members of the WTO that showed new flexibility on agriculture and the contentious New Issues as well as offering least developed countries greater market access to developed country markets. The commissioners urged other countries with high agricultural subsidies to "show ambition and courage" (European Commission: May 10, 2004).

the OECD Ministerial in mid-May and informal discussions between various coalitions including the US, EU, Cairns Group and G20 group of developing countries.

However, despite strong signals from the members of the G8 on the necessity to reach a framework agreement within the WTO in order to break the stalemate in the Doha Development Agenda, the leaders of the G8 neither engaged personally nor offered their personal commitment to ensure that the stalled negotiations were put back on track.

With three of the four factors present, the Sea Island Summit produced a relatively strong statement on trade, at least in terms of the short-term, that acknowledged the window of opportunity that existed to reinvigorate the Doha Round including ensuring that the framework agreement package be met on time. The G8 leaders stated:

We are determined to seize this moment of strategic economic opportunity. Therefore, we direct our ministers and call on all WTO members to finalize the frameworks by July to put the WTO negotiations back on track so that we can expeditiously complete the Doha Development Agenda. (G8 Leaders' Statement on Trade; June 9, 2004)

As the Members of the WTO entered the final phase of negotiations prior to the July 31 deadline, Director General Supachai Panitchpakdi acknowledged the political leadership that existed: "The political guidance and direction which we need to be able to move ahead is there. The onus is now fairly and squarely on negotiators in Geneva to do the deals that our political leaders clearly want us to achieve" (WTO press release: June 30, 2004).

Following two weeks of talks described as "an arduous process of discussions and negotiations"⁹ including a final meeting lasting nearly 24 hours, WTO Member negotiators agreed a package of negotiating frameworks in the areas of agriculture, non-

⁹ Stated by General Council Chairperson Shotaro Oshima, the Japanese Ambassador to the WTO on 1 August 2004 (WTO; DDA July 2004 Package: Meeting Summary; 31 July 2004)

agricultural market access, development issues, trade facilitation and services. The negotiating package established the guidelines for the completion of the Doha Development Agenda and set the date of the next WTO Ministerial for December 2005.

Despite the relative strength of the Sea Island Statement on trade and its contribution to bringing about the WTO negotiating framework package, the document had two key weaknesses. Firstly, the statement was relatively short-sighted given that no commitments past the July 31 deadline were made. Secondly, the G8 did not invite the participation of developing countries, international organizations such as the WTO, International Monetary Fund or World Bank, or representatives of civil society.

The 2005 Gleneagles Summit

The Gleneagles Summit that took place in Scotland July 6-8, 2005 will likely be remembered more for the events that occurred externally rather than for commitments made internally on Africa and climate change. Firstly, a series of terrorist attacks on London public transportation on July 7, resulting in scores of deaths, was timed to deflect attention from the summit. The assembled heads of state and government from the G8, Brazil, China, India, Mexico and South Africa reacted with strength and unity in condemning the attacks and expressed confidence that such acts of violence would not distract them from their efforts to reach agreements on the two main agenda items of Africa and climate change.

Secondly, in an effort to influence the G8 as well as raise awareness among the public, civil society organizations staged an international campaign under the banner of Make Poverty History urging G8 leaders to agree on commitments for trade justice, cancellation of the debt of African countries, and to provide more and better aid for

developing countries. Activities, culminating in day of demonstrations by approximately 400,000 diverse members of civil society in Edinburgh on July 2 and massive media interest, led to major public pressure being placed on the summit participants.

Although the G8 announced significant commitments including doubling development assistance for Africa by 2010 and 100 per cent debt relief for some of the poorest countries in Africa and Asia, commitments on trade were relatively vague. Rather than suggesting timelines and new commitments in the core issue areas of agriculture, services, and industrial goods, the heads of state and government only called on WTO Members to “work with greater urgency to bring these negotiations to a conclusion by the end of 2006” while recognizing that the WTO Hong Kong Ministerial scheduled for December was a “critical stepping stone” (G8 Statement on Trade; Pt. 1; July 8, 2005).

Notably, recognizing the need for the G8 to work with developing countries UK Prime Minister Tony Blair invited leaders of five key members of the G20 consisting of Brazil, China, India, Mexico, and South Africa to participate in an Outreach Session on July 7. This session resulted in the representatives of the G20 issuing a Joint Declaration in which they called for progress in advance of two key dates in the DDA negotiations:

The international community needs to send a clear and positive signal to the Doha round of trade negotiations that the success of the 6th Ministerial Meeting of the WTO, to be held in Hong Kong, China, in December 2005, is essential. In this connection, a fundamental requirement is to achieve substantive progress, by the end of July 2005, regarding agricultural negotiations, access to non-agricultural markets, services, trade facilitation and rules. Trade-distorting domestic support for agriculture in developed countries must be substantially reduced and all forms of export subsidies must be eliminated by a date to be agreed (Joint Declaration. Pt. 10. July 7, 2005).

In terms of specific issues within the DDA negotiations, both the G8 and the representatives of the G20 recognized the need for the specific needs of developing

countries to be taken into account in the liberalization of trade in goods and services, including the elimination of agricultural export subsidies. However, these were merely re-statements of previous positions within the WTO rather than calls for improved commitments.

Given that the G7/8 had failed to issue strong statements on trade prior to the failed 2003 WTO Cancún Ministerial in addition to the high placement of trade on the Gleneagles summit agenda, the existence of extremely strong public pressure, and a clear WTO negotiating framework in the form of the 2004 July Framework, the lack of stronger G8 commitments on trade with a critical WTO ministerial only months away was not only disappointing but also seemed to clearly illustrate the growing lack of relevance the G7/8 had in the area of trade. However, arguably even more disappointing, was the fact that the assembled leaders from the G8 and key G20 countries failed not only to offer their personal commitments but also to issue a joint statement on trade that would provide a much-needed united political push to the WTO negotiations.

Regaining Relevance? Prospects and Challenges for the 2006 St. Petersburg Summit

Given the weak G7/8 commitments in trade over successive summits, in the run-up to the 2006 St. Petersburg Summit to be held July 15-17, 2006, it is essential to identify the prospects and challenges affecting the relevance of the G8 in the area of trade in order to offer a tentative assessment and provide recommendations. As of mid-March 2006, an analysis of the four key elements required for effective G8 leadership on multilateral trade negotiations reveals mixed results – with a recent potentially significant development.

- *The existence of a viable negotiating framework*

The Hong Kong Declaration agreed to at the WTO Ministerial in December 2005 provides a detailed work program setting out a series of timelines for the various sectors including agriculture, services, and non-agricultural market access (NAMA), with an overall objective of concluding the Doha Round by the end of 2006. An extra ministerial, or Hong Kong II, is expected to take place between May and July that will agree the modalities for the final months of the round. Thus, the Hong Kong Declaration offers a viable negotiating framework.

To meet the various deadlines, WTO negotiating groups and some WTO Member governments on their own initiative, are increasing their activities designed to narrow the outstanding differences and formulate acceptable language in the negotiating texts.

During the World Economic Forum held in Davos, Switzerland January 25-29, the Swiss Government organized a mini-ministerial bringing together trade, economic, and foreign ministers from nearly 20 countries, including developed, developing and least developing¹⁰ to informally discuss the steps needed ensure the various negotiating deadlines are met. While practical issues were discussed and some saw a ‘new spirit’ emerging, no new initiative emerged. This may have been due in part to the lack of political pressure only heads of state and government can provide.

¹⁰ The following governments were represented at the Davos Mini-ministerial: Australia, Benin, Brazil, Costa Rica, Egypt, EU, Ghana, Hong Kong China, India, Indonesia, Japan, Korea, Malaysia, Mexico, New Zealand, Norway, Senegal, Switzerland, and the USA.

As a follow up, on March 10-11, trade ministers from the newly-formed Group of 6 (G6) consisting of some participants of the G8 (i.e., the EU, US and Japan) as well as their counterparts from Australia, Brazil and India, met in London for what observers referred to as ‘make or break talks’ to attempt to increase progress in the negotiations, particularly prior to April 30, which is the first of a series of deadlines for agriculture and NAMA (*The Guardian*; March 10, 2006). However, similar to the Davos mini-ministerial the talks were characterized as ‘inconclusive’. Thus, in addition to a viable negotiating framework, in the final stretch of the Doha negotiations, progress will likely require the action of heads of state or government.

- *An agreed G8 agenda prior to the start of the summit.*

The 2006 G8 Summit will be the first time that Russia will serve as host. The issues of energy security, education, and health/infectious diseases will be the three top agenda items. This has raised concerns in trade circles that trade will not be a priority issue. Additionally, given that Russia is not yet a member of the WTO, nor a member of the G7 that traditionally discusses trade prior to the G8 summits, there is doubt that the St. Petersburg Summit will be able to produce effective leadership in trade through the agreement of strong commitments.

However, Russia is in the final stages of accession talks with WTO members and is expected to join the WTO as early as May and no later than the end of 2006, thus increasing the relevance of WTO issues. To their credit the Russians hosts, including President Vladimir Putin, have offered reassurance that trade will be discussed during their chairmanship (*Interfax News Service*, March 1, 2006). It was an encouraging sign that the Russians invited the Finance Ministers of Brazil, China, India and South

Africa, key G20 countries, to a meeting held on the side-lines of the G8 Finance Ministers¹¹ meeting held in Moscow February 10-11. According to Russian Finance Minister Alexei Kudrin, the main topic of the outreach session would be the state of the Doha Negotiations (*The Moscow Times*; January 22, 2006). The G7/8 Finance Ministers stated:

We reaffirm that an ambitious outcome to the Doha Development Round by the end of 2006 is essential to enhancing growth and reducing poverty. Following the Hong Kong Ministerial Meeting, we recognize that further efforts are needed. We urge all participants to agree on a comprehensive package that achieves significant progress in agriculture, industrial products, services, including financial services, intellectual property, and WTO trade rules, and that addresses the concerns of developing countries, in particular the least developed countries. These countries also need substantial aid for trade to help them take advantage of general liberalization (G7/8 Finance Ministers; Pt. 2, February 11, 2006).

However, as at Gleneagles there was no joint statement by the G7/8 and the representatives of the G20.

Trade represents a both a challenge and opportunity for the Russian hosts. Although Russia is still relatively inexperienced in discussing WTO and G7/8 trade issues, ensuring the existence of an agreed agenda on the topic prior to the summit and encouraging strong commitments on trade within the communiqué, would raise Russia's profile and credibility within the G7/8 structure as well as among the WTO membership.

- *Public political pressure*

Compared to the intense public political pressure on the issue of trade in conjunction with development assistance and debt-relief that was shown prior to the

¹¹ Since Russia has not yet been officially admitted to the G7 that brings together the Finance Ministers and Central Bank Governors of its members, the Russian's invited only the Finance Ministers.

2005 Gleneagles G8 Summit, the St. Petersburg Summit is likely to be relatively weak in this area as was the case at the 2004 Sea Island Summit in the US. This is due not only to trade not being a topic of focus, but also the still limited receptiveness to civil society activities within the Russian Government. Despite the establishment of "Civil G8 2006" by the Russian Government to encourage civil society involvement in the preparations of government positions, its website (see: <http://en.civilg8.ru/>) does not have specific documents on multilateral trade for NGOs to comment on nor does its work schedule list the topic of trade.

- *Personal commitment of the leaders*

From the evidence of previous summits, the personal commitment of the G7/8 leaders may be the most critical factor leading to strong commitments on trade and high levels of compliance. As seen above, even when the other three factors of the existence of a viable negotiating framework, an agreed G8 agenda prior to the start of the summit, and public political pressure are present, failing the personal commitment of the G7/8 leaders, trade commitments tend to be weak and compliance low.

The 2006 G8 Summit hosts are not likely to place extensive effort in urging leaders to agree to personal commitments on the issue of trade. However, on March 9 prospects for personal commitments on trade increased significantly following the call by UK Prime Minister Tony Blair and Brazilian President Luiz Inacio Lula da Silva for a summit-level joint meeting of the G8 and the same five G20 countries that participated in the Outreach Session at the Gleneagles Summit. Blair and Silva stated:

Our view is that a meeting of leaders will be crucial to orchestrate this breakthrough. Current offers on the table fall well short of the deal we want...This will take courage and involve risks...We could fail. But the cost of inaction is even more stark, not just for the poor and global growth but for the multilateral system and our vision of a more open and democratic world (As quoted in *The Guardian*; March 10, 2006).

Blair and Lula announced that they will personally urge the leaders of the G8 including Germany, France and the US as well as the key G20 countries including China and India to offer greater flexibility in their Doha negotiating positions (*The Guardian*; March 10, 2006). Although no date for the joint summit has been announced, it is likely to take place between late April and the July St. Petersburg Summit.

This recent initiative provides increased prospects that the G8, working jointly with the leaders of several G20 countries, may make strong trade commitments and once again show effective leadership in the area of multilateral trade. However, would such a meeting be enough to regain the relevance of the G8?

Conclusions and Recommendations for Regaining Relevance

As the world trading system becomes increasingly politicised with a greater direct impact on developing countries and citizens, the G7/8 must adapt to the new, more inclusive, multilateral trading system. Within the Doha Round negotiations, developed and developing countries are increasingly recognizing that they often may gain through forming alliances that bridge the traditional North/South or developed/developing country distinctions.

This relatively new development, first seen with the establishment of the Cairns Group during the Uruguay Round and more recently with the G6, points to the need of

the G7/8 leaders to reach out to and work jointly to a greater degree with the heads of states of key developing countries to provide the necessary political leadership within multilateral trade negotiations.

The proposed Leaders 20 (L20) in which the Group of 20 Finance Ministers and Central Bank Governors¹² would be held at the level of heads of state or government is a sound idea for many reasons, including regular interaction between the G8 and key developed and developing countries as well as relevant international organizations at the highest level. The L20 holds long-term potential for increasing the relevance of the G8, albeit in expanded form, in the area of trade.

However, for purposes of playing an influential role in the current Doha Round, the L20 has three weaknesses: 1) the development of this group is still in its early stages and thus will not be able to offer political initiative in time, 2) the participation of the Director General of the WTO will need to be agreed, and 3) the L20 and WTO G20 do not fully overlap in membership, although the five Outreach Session countries of Brazil, China, India, Mexico, and South Africa are members of both.

Therefore, given the short amount of time remaining in the Doha Round, in order for the G8 to increase its relevance in trade and show effective leadership in the current negotiations, the recent call by Blair and Lula for a summit-level joint meeting of the G8 and the G20 Outreach Countries holds the greatest immediate potential. A joint communiqué by the leaders of the G8 and representatives of the G20 offering strong political commitments, new initiatives, and personal commitments for their

12 Members of the G20 Finance Ministers include: Argentina, Australia, Brazil, Canada, China, European Union (EU Presidency and European Central Bank), France, Germany, India, Indonesia, Italy, Japan, Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, United Kingdom, USA and the International Monetary Fund and World Bank.

implementation may bring about the necessary breakthrough needed to successfully conclude the Doha Round.

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