

# **The Road from Rambouillet to the Sea Island Summit: Process, Accomplishments and Challenges for the Corporate Community**

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## **Introduction**

In exactly one month, the leaders of the Group of Eight (G8) major market democracies will start arriving in Sea Island, Georgia, for their 30th annual summit, taking place from June 8th to 10th, 2004. Many Georgians are already wondering where this otherwise obscure G8 event and institution came from, what it has accomplished, and what it will do at Sea Island of any consequence for corporate concerns. Amid the inevitable and complexities, controversies and uncertainties, the answers to these questions are now becoming quite clear.

Since their 1975 start, the G8 Summit and supporting system have developed into the centre of global governance, operating effectively, if largely invisibly, every day of the year. During its first 29 years in operation, the G8 Summit have been responsible for driving the major global transformations from which we now benefit. Its achievements range from delivering the democratic revolution throughout the communist world, the Americas, much of Asia, and some of Africa, from generating global growth, flexible exchange rates, low inflation, liberalized trade, and poverty reduction, to fighting terrorism, weapons of mass destruction, disease and genocide in our rapidly globalizing world. At Sea Island, the G8 is primed to take another great leap forward, by extending the democratic revolution to the last global holdout in the global village — the greater Middle East — by improving transport security, the nonproliferation of weapons of mass destruction, private sector development, and helping to sustain economic growth, trade liberalization and encourage international financial system reform. For corporate leaders, this G8 is thus well worth watching, and working with, to make sure G8 governance works for you.

## **Process: The Post-Rambouillet Proliferation**

The G8 sprang to life almost 30 years ago when six government leaders — invited by French president Valéry Giscard d’Estaing — gathered at the Château de Rambouillet on

the outskirts of Paris on a grey weekend in mid November 1975. These six leaders — of the United States, Japan, Germany, France, Britain and Italy (Canada was not present at the first) — were forced to come together, for the first time ever, by six compounding crises that threatened the core national interests and values of all.

The first crisis was about finance. August 15th, 1971, saw the brutal destruction of the system of fixed exchange rates that had reigned since the international financial system was founded at Bretton Woods, New Hampshire, in 1944 — a system that was now punishing America by forcing it to have an overvalued dollar.

The second crisis was about trade. It came in 1973, when a newly launched round of multilateral trade liberalization was paralyzed by the deep north-south divisions and a global recession that erupted that year.

The third crisis was about energy, for that recession was largely driven by the October 1973 oil shock, which cut off oil supplies and raised oil prices for Americans and most of the rest of the world.

The fourth crisis was about war in the Middle East. The oil shock was, in turn, the result of the October 1973 war in the Middle East, where a democratic Israel almost went under while all North Atlantic Treaty Organization (NATO) allies save one refused to allow America to deliver the supplies that Israel needed to survive.

The fifth crisis was about the proliferation of weapons of mass destruction. In May 1974, using American and Canadian technology, India exploded a nuclear bomb it claimed was for peaceful purposes, ending a full decade during which horizontal nuclear proliferation had been stopped.

The sixth crisis was about a long, losing, land war in Asia. It ended in April 1975, the last American helicopters lifted off from the roof of the U.S. embassy in Saigon, South Vietnam fell to the communists, and America “came home” in defeat.

These cascading crises fuelled three ominous trends. Within America and its allies arose an age of economic “stagflation” and a resulting political “crisis of governability.” Across the Atlantic, democracy became imperiled, as “Euro-communism” threatened to bring 1940s-style communist governments to power across Europe’s southern tier. And terrorism tore through the west, as angry young men hijacked civilian commercial airliners, killed their innocent passengers and crew, and then escaped to the many countries that accepted their claim to be “freedom fighters” for the downtrodden of the world.

To stave off defeat for America and its animating ideal of democracy, the six leaders at Rambouillet created a new forum for global governance, with a new design and a new mission. They put in place a modern democratic concert, directly controlled and delivered by democratically leaders, and devoted to protecting within the G8 and promoting globally the values of open democracy, individual liberty and social advancement. As

they said declared: “We came together because of shared beliefs and shared responsibilities. We are each responsible for the government of an open, democratic society, dedicated to individual liberty and social advancement. Our success will strengthen, indeed is essential to, democratic societies everywhere.” Delivering democracy and all that flows from it throughout the world is what G8 governance is all about.

Since this start, the original six leaders have added Canada in 1976, the European Union in 1977 and a democratizing Russia from 1992 onward, as regular members of their club. They have met together once a year, usually in late spring or early summer, with the hosting responsibility passing in a seven-year cycle, from France to the United States, Britain, Germany, Japan, Italy and Canada in turn. The G8 leaders have always found time to come to the summit (which is not true in other forums), and have even held three additional gatherings on special subjects in 1985, 1996 (the U.S. and France again) and in September 2003. In addition, they’ve devised an elaborate system: The leaders’ personal representative, or “sherpas,” supported by finance deputies, political directors and, recently, Africa personal representatives usually meet four times from January 1 when the new host takes over, to prepare the annual summit, and then subsequently to ensure the decisions of the leaders are put into effect.

Supporting the G8 leaders are meetings of G8 cabinet secretaries or ministers, starting with the foreign ministers and finance ministers who were there alongside their leaders at Rambouillet. In the 1980s, they started meeting separately at other times, as did the trade ministers of the U.S., European Union, Japan and Canada, in 1982. Joining the process in the 1990s were ministers responsible for the environment, employment, information technology, terrorism, crime and justice, energy and labour. The twenty-first century added education, health security and development co-operation. Beneath the ministerial level, there’s a great subterranean maze of G8 working groups, which often reached out to involve other countries and members, as their task demands. Throughout the G8 summit and system, the agenda has expanded to embrace most subjects with which national governments deal. Effective governance has thus gravitated upward, from national governments operating alone, to G8 governments working together, to govern a rapidly globalizing world.

## **Accomplishments**

Just what have these G8 summits and system accomplished in pursuit of their ambitious mission over their first 29 years? Amid bursts of spectacular successes and high-profile failures some basic trends stand out. The summit has dealt with an ever broader agenda, encompassing economic, global-transnational and political-security issues, of concern to the full global community, the G8 countries themselves and their domestic political life. The G8 has pioneered far-reaching new principles, including the need to intervene militarily in the internal affairs of sovereign states to protect and promote the important ideals of open democracy and individual liberty and above all to prevent genocide, to make globalization promote social cohesion, the natural environment and everyone’s basic needs, and to take preventive, if not quite “pre-emptive,” action to keep weapons of

mass destruction out of terrorists' hands. The G8 has produced ever more specific, collective, publicly encoded commitments, with a record of 206 generated last year at Evian, France. Compliance with these commitments on the part of G8 governments has risen to quite substantial levels. The G8 summit has come to serve as the great global fundraiser, mobilizing US\$50 billion at Kananaskis, Canada, in 2002. And it has come to develop global governance, both by reforming the old multilateral organizations such as the IMF and United Nations, as at Halifax in 1995, and by replacing them when necessary with G8 bodies of its own.

Above all, the G8 has fulfilled its mission, by producing the biggest breakthroughs in world politics in the past 30 years. One is “the second Russian revolution” — the surprisingly successful end of the cold war, through a largely, peaceful process, with the democratic world victorious, the Soviet empire ended and the remnant Russia transformed into a democratic polity that is now a full member of the G8 club. Another is the liberation of Kosovo, starting on March 24, 1999, when the G7 intervened in the internal affairs of a sovereign Yugoslavia by initiating a war that prevented an emerging genocide, produced a democratic Serbia and put Slobodan Milosevic on trial for war crimes in the Hague. The G8 has also acted to expand the democratic revolution elsewhere, starting in the Americas with Venezuela in the 1980s, in Africa with South Africa in 1987 and in Asia with Indonesia in 1997.

In macroeconomic policy co-ordination, the G8 has helped generate global growth, to spare the G8 and the global economy from the deep recessions of the dismal years from 1971 to 1975 and the high inflation of that decade as a whole. In finance, it has delivered and managed a regime of flexible floating exchange rates that have helped market fundamentals dominate, and sound business decisions to be made. In responding to financial crises and reforming the international financial system since the mid 1990s, the G8 has protected the advanced economies, and encouraged the major multilateral institutions of global economic governance to respond more adequately to a rapidly globalizing world. In liberalizing trade, G8 leaders have provided the critical political impetus to launch and successfully conclude every round of multilateral trade liberalization since 1975. And in global development, since the 1988 Toronto Summit the G8 has pioneered the process of debt relief for the world's poorest countries, so poor countries can use their open money to meet their own citizens' basic needs.

In addition, the G8 has long been on the front lines of the war against terrorism, acting at the 1978 Bonn Summit virtually to end “skyjacking” in G8 members' skies. In the 1980s, the G8 took up the fight against transnational crime, and the corruption, terrorist financing, drug trade, tax evasion and bad governance which it fuels. In the 1980s, it also started to combat disease, mobilizing research and later money against cancer, then HIV/AIDS, malaria and tuberculosis, and, most recently, bioterrorism, polio and SARS. And during the twenty-first century, it has taken up several issues of direct concern to corporate managers, from investment and competition policy, through burgeoning health care and pension costs in aging G8 populations, to corporate governance in the Enron-Worldcom age.

## **Challenges for the Corporate Community: The Sea Island Opportunity**

Will the G8 live up to this large legacy of achievement at Sea Island this year? What challenges must it meet, to help the corporate community meet its legitimate needs?

The first challenge, familiar to all recent summits, especially since September 11, is to have the leaders themselves meaningfully address the core conventional economic concerns (Kirton and Kokotsis 2003: 222-3). With only one of their three initial Sea Island themes — “prosperity” — and none of the four major intended deliverables devoted to economics, the American hosts have not designed a summit to help in this regard. Because Sea Island is such a short summit, other factors could further deflect the G8 leaders from economic issues. One is the eruption of a global crisis on the eve of the Summit — perhaps in the Middle East, North Korea or a major terrorist attack anywhere in the world. Another potential distraction is the possible attendance, as the U.S. host is currently considering, of two groups of invited outsiders, one from the Middle East and the other from Africa, each meeting with G8 leaders on a separate summit day. And while the Japanese have wisely insisted, and the Americans have wisely accepted, keeping one scheduled Sea Island session free for open discussion, as opposed to pre-programmed exchange, there is no guarantee that this will be mobilized to deal with core economic affairs.

Within the time allotted to discuss “prosperity,” the leaders are currently slated to deal with several important concerns. The first is global economic growth. The approach is to re-invigorate global growth and make sure everyone is part of it, by identifying four concrete, realistic things the G8 can do. Here the discussion is likely to deal with sustaining the current global recovery, broadening it to include more growth locomotives within the G8, managing China and its exchange rate, and ensuring that rising G8 interest rates in the future do not unduly inhibit global growth or drive debt-ridden emerging economies into default. Within this complex of interrelated issues, should current market trends continue, rising oil prices could well take pride of place. Another candidate, and one that erupted in a leader-like outbreak of spontaneous combustion at Evian, is tackling structural rigidities on pension and labour costs in the face of burgeoning government fiscal deficits and debt, and expensively aging societies back home. It is in this context that concerns about America’s mounting deficits and current plans for medium term deficit reduction are likely to be raised.

A second conventional core economic item that will come up for discussion is international trade. It is likely to be one of the four prosperity actions pledged. It “will include” progress in the Doha Development Agenda round of trade talks of the World Trade Organization (WTO). But long gone are initial America instincts to have the prosperity discussion focus only on trade, to present a self-contained trade package and to have the G8 mount a major effort to agree to get the Doha agenda done by, or close to, its fast approaching 2005-designated completion date. Rather, trade will take the form of hortatory language in the chapeau, declaring the importance of getting Doha done and promising to do three particular things in this regard. But any promise to hit the target by a fixed timetable, is highly unlikely, unless the leaders themselves at the last minute put

aside election year anxieties about outsourcing, address the new complex of north-south divisions that have appeared, and deal with Doha as part of a larger summit package deal.

A third traditional summit subject — poverty reduction — is slated to be one of the four big Sea Island deliverables, in the new form of private sector development. Inspired by the recently released report of the United Nations–created commission chaired by Canada’s new prime minister Paul Martin and former Mexican president Ernesto Zedillo, entitled *Unleashing Entrepreneurship*, the American hosts are planning to move away from the traditional focus on the public provision of international welfare in the form of official development assistance (ODA), to emphasize the role that the private sector and individuals directly can play. One intended action is to improve the **remittances** that individuals working in rich countries send to their poor relatives back home, a flow that already exceeds the annual transfer of ODA. The G8 will seek to keep the remittances flowing and make their flow more effective, by reducing transaction costs to encourage more money to be sent and received. A second, more difficult, initiative is an American proposal to issue growth index bonds, where the holders would receive interest payments related to the growth in the gross domestic product (GDP) in the countries that issue them. A third possible deliverable is a transparency action plan, in which G8 countries and poor partners would come together to ensure honesty in development, budgeting, procurement and contracting.

A fourth Sea Island subject of direct concern to business is transportation security, centred on a major, prospective U.S.-driven Secure and Facilitated International Travel Initiative (SAFTI). Important incremental progress will be made in implementing and extending the transportation security initiative created at the 2002 Kananaskis Summit and enhanced at Evian in 2003. But additional items, such as demanding full airside screening of flight crew and service providers every time they enter the airport secure zones, highlights the difficult tradeoffs between security and the costly prosperity-killing inconvenience for business and everyone.

A final issue of concern to business is the intended centrepiece deliverable of the Sea Island Summit — the Greater Middle East Initiative. Although the initiative is currently a matter of much hard bargaining and uncertainty, the G8 is on track to produce a general political statement, a detailed list of existing programs; and new initiatives from the collective G8. The latter should include a Middle East Development Fund and an initiative on micro-finance.

## **Conclusion: Strengthening the Corporate Connection**

With so much potentially at stake for business, it is important to consider how corporate leaders can become more involved in G8 governance, to make it work for their concerns, and to bring their unique expertise and other capabilities to bear for the broader global good. During the past decade there has been an explosion of civil society participation in the G8 summit process and system. Will many remember the 300,000 protestors who gathered at Genoa for the violence-ridden 2001 summit, mainstream nongovernmental organizations (NGOs) have worked effectively at summits and behind the scenes, to

forward causes such as relieving the debt burden for the poorest, controlling illegal logging, and ensuring access to affordable medicines for the poor.

Since 1995, corporate leaders have also been directly involved in G8 governance, in an increasing array of ways and fields. For the twenty-first century summits, they have come together with governments, NGOs, multilateral organizations and others to mount and manage the innovative, multi-stakeholder Digital Opportunities Task Force (Dot Force), the Renewable Energy Task Force and the Global Health Fund for HIV/AIDS. Yet as the G8 agenda moves ever more into once domestic, industry sector and intra-firm concerns, there is room for more to be done. As the great summit scholar Sir Nicholas Bayne (1999: 40) has long argued, G8 “leaders need better links to the private business community.” In the Asia-Pacific Economic Cooperation Forum, a somewhat similar international institution where government leaders meet each year, there is a well-developed APEC Business Forum, whose corporate leaders meet with their government counterparts at the summit itself. Might it be the moment for the G8 to have the advantage of an appropriately designed G8 business forum of its own? and might business leaders here in Georgia be the best positioned to start the process that gives it birth?

## References

Bayne, Nicholas (1999), “Continuity and Leadership in an Age of Globalization,” in Michael Hodges, John Kirton and Joseph Daniels, eds. *The G8's Role in the New Millennium* (Ashgate: Aldershot), pp. 21–44.

Kirton, John and Ella Kokotsis (2003), “The G7/8 Contribution at Kananaskis and Beyond,” in Michele Fratianni, Paolo Savona and John Kirton, eds., *Sustaining Global Growth and Development: G7 and IMF Contributions and Challenges* (Ashgate: Aldershot).

## **Appendix: The Prospective and Possible G8 Sea Island Summit Agenda**

### **1. The Greater Middle East Initiative (GMEI)**

- General Political Statement
- Existing G8 Members Programs
- New G8 Initiatives: Literacy, Women's Education, Press Freedom, Financing
- Outreach-Engagement
- Middle East Peace Plan (MEPP)
  - GMEI Projects
  - Forum for the Future
  - Democracy Assistance Group
  - Democracy Foundation
  - Literacy Corps
  - Micro-finance Initiative

### **2. Secure and Facilitated International Travel Initiative (SAFTI)**

- Intelligence/Data Sharing on passengers, crew and cargo
- Uniform, Computer Readable Travel Documents
  - Forward Deployment of Immigration-Customs Personnel
  - Full Airside Screening
  - Kananaskis Transportation Security Initiative-APEC STAR Follow Up/On
  - MANPADs Progress Review (2003 RM)

### **3. Nonproliferation of Weapons of Mass Destruction (WMD)**

- Full Nuclear Fuel Cycle Denial
- Proliferation Security Initiative (PSI)
- Chemical, Biological and Radiological Weapons
- Global Partnership Expansion for Libya (US and UK push 040430)
- Reinforcing Systems to stop WMD proliferation ("will include" YS 040427)
- A Separate Joint Statement, cf. Chairman's summary ("will include" YS 040427)

### **4. Private Sector Development (PSD)**

- Martin-Zedillo Report
- Remittances
- Growth Index Bonds

### **5. Peace Support, Principally in Africa**

- Regional and donor sponsored counter-terrorist training centres (2003 RM)
- US Plan

### **6. Famine**

- Horn of Africa

### **7. Terrorism**

- Presidency Report (2003 RM)

## **8. Iraq**

Opportunity to Affirm Democratic Reconstruction Contribution  
Framework of a planned caretaker government  
Restoration of peace and order  
International aid for reconstruction  
UN initiative in transferring sovereignty to Iraq

## **9. Iran**

Nuclear program

## **10. North Korea**

Nuclear program

## **11. Global Economic Growth**

## **12. Trade**

Progress in WTO new round of trade talks

## **13. Bretton Woods Sixty Year Review**

Will be part of the agenda for a summit  
US Proposals

- Crisis prevention focus
- Limited lending: formal limits on IMF lending
- IMF support cf. bilateral assistance in capital markets crises
- World Bank shift to grants (US)
- Collective Action Clauses (CAC) change terms with not total approval

## **14. Sustainable Development**

Science and Technology for Sustainable Development  
GEOSS Earth Observation System will be discussed  
Climate Change/Global Warming

## **15. Health**

Polio  
HIV/AIDS and the Global Fund