



The G8 and multilateral rule-based trade

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What's the problem?

- Legitimacy
- Capability
- Relevancy

Legitimacy: Challenge

- Represent only 5 % of WTO membership (approx 30 percent of GATT members in 1970)
- The "democratic constitution" of the WTO
- Equality among members increasingly important: emerging markets, emerging influence from developing countries (G20, G77), the Doha *Development* Agenda

Legitimacy: comments

- YES – world economy changes should be recognized, esp. Emerging trading powers
- BUT – G8 countries still represent the vast part of world GDP, trade and investment flows (exception: China)
- NO – pure multilateralism doesn't work; the WTO needs leadership from global trading powers (current Doha problems): different interests, capabilities and responsibilities

G8 members and contenders for membership

			GOODS		SERVICES		INVESTMENTS		
COUNTRY	TOTAL GDP*	POPULATION (MN)	EXPORT*	RANK	EXPORT*	RANK	FDI* and **	RANK	TRADE SECTOR***
UNITED STATES	12 500	226,5	504,4	(2)	354,0	(1)	2051,3	(1)	24
JAPAN	4 506	126	594,9	(4)	107,9	(5)	385,5	(9)	22
GERMANY	2 782	82,5	592,9	(1)	148,5	(3)	957,3	(3)	71
CHINA	2 229	1 304,5	762,0	(3)	73,9	(9)	46,3	(-)	65
UNITED KINGDOM	2 193	60,2	382,8	(7)	188,7	(2)	1 238,0	(2)	53
FRANCE	2 110	60,7	453,2	(5)	115,0	(4)	853,2	(4)	52
ITALY	1 723	57,5	367,2	(8)	93,5	(6)	298,5	(12)	52
SPAIN	1 124	43,4	187,2	(17)	92,7	(7)	381,3	(11)	55
CANADA	1 115	32,3	359,4	(9)	52,2	(15)	399,4	(7)	71
BRAZIL	794	185,4	118,3	(23)	14,9	(35)	71,5	(-)	38
KOREA, REP	788	48,3	284,4	(12)	43,9	(18)	36,5	(-)	64
INDIA	785	1095	95,1	(29)	55,1	(11)	9,5	(-)	40
MEXICO	768	103,1	213,7	(15)	16,0	(32)	28,0	(-)	61
RUSSIA	764	143,2	243,5	(13)	24,3	(27)	120,4	(-)	56

Capability: Challenge

- No negotiating capacity
- No institutional framework for trade ministers
- Concerns over negotiating mandate (Europe)

Capability: Comments

- True! Also:
 - Trade is more complicated
 - Fragmentisation-based trade
 - Trade *policy* is more complicated
 - Technicalities
 - Expansion of membership
 - Expansion of objectives
 - Trade *politics* is more complicated
 - From *inter-sectoral* to *multi-sectoral* trade policy structure
- Grand bargain structure inevitable
 - Political role for G8: broad political economy of trade lib.

Relevancy: Challenges

- Ineffective body

“The communique that will be issued at the end of the summit will not contain anything that anybody of sound mind would want to read, let alone demonstrate against. There is, however, one rational reason why anyone would want to demonstrate at the meeting. And this is to call for the abolition of the G8 itself, for it is no longer suited to the tasks it has set itself up to do. G8 summits have become as depressing, pretentious and wasteful as a Davos spouse programme.”

Wolfgang Munchau, Columnist, Financial Times

Relevancy: Challenges

- Ineffective body
- Selectivity: designing the agenda
 - Chief structural weakness today
 - Too much belief in the magic of international policy coordination
 - Germany has 38 prioritised issues on its agenda for G8 Presidency

Selectivity: Comments

Effectivce international policy coordination

1. International problem: spillovers
2. Certainty about proper policy measures
3. Broad consensus of problem and policy
4. Availability of policy tools

Criteria rarely met: G8 Presidents play for domestic audiences and for the gallery

Jim Hacker: "lots of activity, but no real achievement"

TRADE	INNOVATION AND IN- VESTMENT	INTEL- LECTUAL PROPERTY RIGHTS	REGULA- TION	ENERGY	ECONOMIC POLICY	MIDDLE EAST	AFRICA	SOCIAL DIMENSION OF GLOBALI- ZATION	HIV/AIDS	CLIMATE CHANGE
STABILITY IN GLOBAL TRADE	FREEDOM OF INVEST- MENT	PROTECTION OF IP IN DEVELOPING COUNTRIES	US-EU HARMONIZ- ATION	ENERGY SECURITY	US TWIN DEFICITS	IRAN	G-8 PART- NERSHIP AGREE- MENTS WITH AFRICA	SOCIAL SECURITY IN DEVELOPING COUNTRIES	IMPROVING AFRICA'S HEALTH CARE SYS- TEMS	INCREASED USE OF SUS- TAINABLE RESOURCES
DOHA (?)	POLICY TO PROMOTE INNOVATION	NEW AGREE- MENTS TO DETER TRADE IN PIRACY GOODS	CONTROL OF HEDGE FUNDS	ENERGY EFFICIENCY	GROWTH IN EU AND JAPAN	MIDDLE EAST CONFLICTS	GOOD GOVER- NANCE	INVESTMENT IN WORKER EFFICIENCY		OVERALL REDUCED USE OF ENERGY
TRANS- ATLANTIC TRADE	INVESTMENT CONDITIONS	STRENGTH- EN EXISTING RULES (NATIONALLY AND INTER- NATIONALLY)	MERGERS AND ACQUIS- ITIONS POLICY	RUSSIA	ASIAN FOREIGN RESERVES		GLENEAG- LES AFRICA ACTION PLAN	RULES FOR WORKING CONDITIONS		THE FUTURE OF THE KYOTO PROTOCOL (POST 2012)
RUSSIA			ENVIRON- MENTAL STANDARDS		RENMINBI FLEXIBILITY		REDUCED VIOLENCE	INVESTMENT IN HUMAN CAPITAL		ACCESS TO RAW MATERIALS
					GROWTH OF THE WORLD ECONOMY			COMMON STANDARDS FOR GLOBALI- ZATION		

German priorities

- Investment
- Innovation
- Global imbalances
- Hedge funds

The role of G8 in multilateral trade

- Is there a role? No.
- Can it have a role? Yes, a limited role
- "Multilateralizing" the G8: not by membership structure; closer to multilateral agenda and process (WTO)
- Membership structure: China but not Russia
- Institutional reform: no secretariat, but coordinated process
- Restraining ambitions/agenda design