

The EU in the G8

Promoting
Consensus
and Concerted
Actions
for Global
Public Good



The EU in the G8

Promoting Consensus and Concerted Actions for Global Public Good

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The monograph reflects on the dynamics of the EU role in global governance processes, presents analysis of the methods and instruments the EU employs for achieving its objectives in the international arenas, models and options of multilateral partnerships. The EU's evolving role and influence in the G7/G8 over the last ten years reflecting its growth in power and influence as well as the EU expanding community competencies and legal authority is specifically explored, as an area which so far has not been sufficiently investigated. The work is tracing the transformation of the EU identity as a global actor in the recent decade and looks into how these changes affect the EU — Russia relationship. The book adds value to the scholarly literature in the field of studying the EU as a global actor. The contributions aim to serve as a reference and analysis for academics and students in the fields of political science, economics, law and other disciplines. The work aspires to be helpful to government officials, financial institutions, research libraries, the news media, and to members of the interested public.

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List of Contributions

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List of Abbreviations

AfT	Aid for Trade
APEC	Asian-Pacific Economic Cooperation
BRIC	Brasil, Russia, India, China
CEIF	The Clean Energy Investment Framework
CFSP	Common Foreign and Security Policy
CIS	Commonwealth of Independent States
CMEA	Council for Mutual Economic Assistance
CSTO	Collective Security Treaty Organisation
DAC	Development Assistance Committee of the OECD Development Cooperation Directorate
DDA	Doha Development Agenda
EAEC	Euro Asian Economic Community
EC	European Commission
ECT	Energy Charter Treaty
EEA	European Economic Area
EEC	European Economic Community
EEC	European Energy Charter
EFA	Education for All
EMU	European Monetary Union
EU	European Union
FATF	Financial Action Task Force on Money Laundering
FSB	Financial Stability Board
FSF	Financial Stability Forum
G20	Group of Twenty
G7	Group of Seven
G8	Group of Eight
GAUNO	General Assembly of the United Nations Organisation
GG	Greenhouse Gas
GPB	Global Public Bad
GPG	Global Public Good
HP	Heiligendamm Process
IAEA	International Atomic Energy Agency
IEA	International Energy Agency

IEF	International Energy Forum
IFC	International Finance Corporation
IMF	International Monetary Fund
IMO	International Maritime Organisation
ITER	International Thermonuclear Experimental Reactor
JODI	Joint Oil Data Initiative
LNG	Liquefied Natural Gas
MDB	Multilateral Development Bank
MDGs	Millennium Development Goals
MNC	Multi-National Corporation
NAB	New Arrangements to Borrow
NAFTA	North America Free Trade Area
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organisation
NPT	Nuclear Non-Proliferation Treaty
NSG	Nuclear Suppliers Group
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OPEC	Organisation of Petroleum-Exporting Countries
OSCE	Organisation for Security and Cooperation in Europe
PRS	Poverty Reduction Strategies
SC UNO	Security Council of the United Nations Organisation
SDR	Special Drawing Rights
TRA	Trade-Related Assistance
UNCSD	United Nations Commission on Sustainable Development
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNFCCC	United Nation-Kamework Convention of Climate Change
UNO	United Nations Organisation
USA	United States of America
USSR	Union of Soviet Socialist Republics
WB	World Bank
WHO	World Health Organisation
WMD	Weapons of Mass Destruction
WMO	World Meteorological Organisation
WTO	World Trade Organisation

Preface and Acknowledgements

The monograph presents results of a research into dynamics of the EU evolution as a collective member of the G8 and G20, the external and internal factors influencing the process, options for these institutions reform and collaboration and future role of the EU in the new system of these institutions.

The findings are outcomes of the project “The EU as a Global Actor: European Way to Creating Global Public Goods through Partnerships and Rule Based Multilateral Institutions”, implemented with support from the European Commission Jean Monnet programme. The work relied on the dedication, talent and academic rigor of the scholars from the International Organisations Research Institute of the State University — Higher School of Economics, Moscow State Institute of International Relations (MGIMO-University) of the Ministry of Foreign Affairs of the Russian Federation, Munk Center for International Studies of the University of Toronto in Canada, Royal Institute of International Relations of Belgium.

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Yours sincerely,
Marina Larionova

INTRODUCTION

Chapter 1

EU as a Global Player: Creating Global Public Goods through Partnerships and Multilateral Institutions

The monograph reflects on the dynamics of the EU role in global governance processes, presents analysis of the methods and instruments the EU employs for achieving its objectives in the international arenas, models and options of multilateral partnerships. The EU's evolving role and influence in the G7/G8 over the last ten years reflecting its growth in power and influence as well as the EU expanding community competencies and legal authority are specifically explored, as an area which so far has not been sufficiently investigated. The work is tracing the transformation of the EU identity as a global actor in the recent decade and looks into how these changes affect the EU — Russia relationship.

The study is rooted in a systemic analysis of a wide range of documents of the EU and G8 institutions. The functional analytical paradigm, used for assessing the international institutions effectiveness in global governance, is adopted for the study. Employing the framework the analysis aims to assess the EU contribution towards implementation of the main global governance functions of domestic (Community) management, deliberation, direction setting, decision-making, and global governance development.

Part 1 provides an analytical framework for exploring the EU as a global transformative power. It opens up with **Sergey Medvedev and Igor Tomashov** exploring the definition and concept of the global public goods as goods, which benefits and costs tend to spread across state borders, social groups, and generations. Bringing forward such examples of global public goods as atmosphere, climate, human rights, struggle against infectious diseases, international peace, etc., the authors examine the history of “globalization” of public

goods and suggest their typologies and ways to solve the international collective action problem.

John J. Kirton's description of the main concepts of global governance which exist within the International Relations Theory. In order to explore the dynamics of the EU — G8 relationship for the last decades the author proceeds from the statements of the concept of Soft Power as one of the key concepts of global governance. Starting from the comparison of both institutions with regards to the key criteria of the soft power and soft law concepts and the processes lying within such as membership, values, consensus and compliance, John Kirton shifts his analysis to the other concepts of global governance and gives his own vision of hierarchy of such concepts which are considered to be useful analyzing the contribution of the EU and G8 to global governance processes, their impact and relationship.

Oleg Barabanov's chapter explores theoretical approach to global governance within the International Relations Theory, analysing the evolution of the term “global governance” and its transformation from one theoretical epoch to another. The author employs the comparison approach to elucidate the notion of global governance within the framework of the two main theoretic schools: Neorealism and Neoliberalism. The focus is also given to the functional approach to the global governance studying, where the influence of global governance concept on the state sovereignty is also analysed.

Marina Larionova's chapter presents methodology developed for analysis of the EU's role as a global actor and its evolving influence in the G8 over the past decade. To provide for a systemic approach the analytical paradigm adopts Dr. John Kirton's functional assessment of the G7/G8 performance and its role in global governance. Using the functional approach the study attempts to highlight and measure the EU contribution towards the main governance objectives of domestic political management, deliberation, direction setting, decision making, delivery and global governance development. The six functions notion is nuanced to reflect the special nature of the EU as a collective member of the G8, and to allow (1) to explore the extent to which the EU can shape the G8 decisions contributing to deliberation, direction setting and decision making; (2) assess (where / if possible) the degree to which the other actors comply with the commitments made looking at the delivery.

Part 2 examines the transformation of the G7/G8 system, the evolution of the EU as a global actor and the emergence of G20 as a leader's forum. All chapters focus on the EU as a member of the international institutions and its role in the institutional changes over the past decade. **John J. Kirton** explores the G8's

core character, mission, capabilities and governance, and assesses on this basis how changes in outreach, in-reach and down-reach have enhanced performance in the past and could in the years ahead. The chapter asserts that since its start in 1975, the G8 as a modern democratic concert has increasingly met its central goal of producing a global democratic revolution and providing domestic political management, deliberation, direction setting, decision-making, delivery and the development of a new generation of global governance for itself and the world. During this time the G8 has maintained its globally predominant capabilities, largely because it has broadened enormously in outreach, embracing Japan, Italy, Canada, an EU expanding to 27 states and Russia as full members, and a wide array of multilateral organisations and rising or regional powers as participants in its annual summit and institutions below.

Peter I. Hajnal and Victoria Panova focus on the period beginning with 1998, with only a brief reference to early reform initiatives of the G8. The chapter examines and comments on reform proposals as well as reforms actually achieved or underway. It pays particular attention to the reform dimension of the evolving G5, Heiligendamm Process, BRIC (Brazil, Russia, India, China), Major Economies Meeting and G20 groupings, and to the G8's relationship to these structures. The chapter concludes with outlining possible trajectories of the G8 reform.

Mark Entin presents his vision of the European Union as a new key global player. The EU is explored as a political institution, its internal structure and system of external relationships and mechanisms of co-operation with other global actors are overviewed in detail. Special emphasis is given to the EU characteristics such as borders' transparency and the EU member states differentiation as themselves. Factors providing political cohesion (solidarity) of the EU member states including the supremacy of law, political culture of solidarity and mechanisms for the sovereignty co-governance are analyzed in depth. Legal and institutional foundations for the EU world policy practices as well as ways of projecting them to the world are explored in detail. In conclusion author evaluates the EU future role and its influence rising in setting future global agenda, addressing global problems and needs, promoting future global development.

Marina Larionova concludes the part with analysis of the outcomes of the two G20 summits and the EU contribution towards the decisions made. Analysis of the EU input and impact on the two summits' results allows the author to reveal "containing factors" in the EU institutional architecture constraining the quality and effectiveness of the EU global governance

performance through the G20. First, the coherence and impact the institute of permanent Presidency can ensure are much higher than what can be achieved through the coordination efforts of the three rotating presidencies. This continuity and durability is essential not only for forging consensus with the EU partners in the G20, but, most importantly, for building internal consensus in the EU, as a vital factor of effective common foreign policy. The author posits that though in the run up to the Washington summit the Presidency and the European Commission leadership and contribution were very much driving the process, the run up to the London summit presented a different story. The Presidency yielded leadership and the EU institutions and the leaders of the EU — G20 members stepped in. The chapter highlights this experience as one more argument in favor of permanent Presidency of the EU. The Lisbon Treaty ratification and the new institutions of Presidency and the Foreign Minister — High Representative of the Union for Foreign Affairs and Security Policy will consolidate the EU institutional foundation for the challenges of the future.

Part 3 overviews critical cases of global governance, and the EU's contribution towards these processes. **John J. Kirton and Victoria Panova** look into the latest period of the G8 and Heiligendamm Dialogue Process (G8 + G5) energy activities to analyze risks for further sustainable world energy and economic development, and develop proposals to improve the G8's energy-climate performance. **John J. Kirton** then turns to the in-depth analysis of the G8's contribution in overcoming numerous turned-global financial crises occurred once established in 1975 as well as to the evolution of the role of the EU in supporting measures as a global player.

Vytaliy Kartamyshev's chapter analyses the European Union development policy over the past decade. It highlights Europe's leadership role in providing multidimensional, high quality and predictable aid focused on poverty eradication and achievement of Millennium Development Goals by the recipient countries. Various aspects of the EU's development policy are considered: ODA (Official Development Assistance), budget support, Aid for Trade, etc. It also identifies challenges for the EU to continue playing this crucial role in the current unfavourable economic environment, and offers some recommendations on how to improve implementation of development policy.

Sergey Medvedev and Igor Tomashov explore international peace and security as the most important global public goods because of their key role in the creation of conditions for sustainable development. The authors state that cooperation in this field is often limited by the lowest common denominator

of mutual deterrence and crisis management. They assert that new opportunities may be opened by a more active involvement in this process of the EU and the G8. The chapter takes stock of the key problems and contradictions of safeguarding of international peace and security and examines the history and future prospects of the Common Foreign and Security Policy of the EU.

The next chapter prepared by the same authors considers the growing role of knowledge as a factor for the development of modern societies and examines the problems of international cooperation in the field of education, paying special attention to the initiatives of the G8 and the EU. The authors posit that new solutions can be found by analyzing knowledge and education as global public goods.

The fourth part turns to the findings on the main trends in leadership and models of engagement. **Vladimir Zuev** explores the EU decision-making models in global governance. Emphasizing unique nature of a mechanism of European integration based on rational approach to a decision making process, the chapter looks at the basic principles of this mechanism. Possible options for several EU elements to be integrated into the practice and functioning of modern global institutions are considered. The author states that both positive and negative consequences can emerge from the usage and further strengthening of subnational elements in international regulations, first of all in economic area. Such questions as “What kind of forms of the international economic regulation — international or subnational — to be applied within different international organisations, e.g. UN, could be more effective?”, and “Why model of the European Union enjoys success and popularity among member and neighboring countries?” are addressed herewith.

In the concluding chapter **Marina Larionova and Mark Rakhmangulov** present the findings of the empirical study of the EU’s contribution towards global governance processes, focusing on the EU role in the G8. Key priorities, values and functions of both institutions are assessed and compared using the qualitative and quantitative analysis within the functional analytical paradigm. The chapter focuses on the findings in four main blocks of research: the EU contribution towards defining the global agenda priorities, performance of the global governance functions, promotion of shared values, and intensity of engagement with the international organizations. The authors identify increasing congruency of the discourse dynamics of both institutions on the main priorities, foremost, political and security issues, economy and trade, energy, and “new issues” of education, science and innovations. However, clear differences in the priorities hierarchies of the institutions are ob

served. The chapter lays out the evidence of the intra EU political and institutional transformations impact on the correlation of the EU and G8 contribution towards shaping the global governance processes in key policy spheres. The authors assert that the EU contribution towards global governance is growing on all functions. The EU leads on the intensity of discourse and delivery, influencing the processes of forging consensus and the level of compliance with the commitments made in G8 summits. A trend for EU increasing influence on direction setting and global governance development is observed, though the EU global governance functions performance differs depending on the policy sphere. The evidence base allows the authors to conclude that the EU makes a significant contribution towards consolidation and transformation of the shared system of values. Dynamics of data on all areas of analysis (priorities, functions, values) confirm the claim that Chairmanship of the EU member in the G8 constitutes an indisputable resource of the EU influence on shaping the global discourse and implementation of global governance functions.

The authors hope that the book will be a worthwhile reading and will add value to the scholarly literature in the field of studying the EU as a global actor. The contributions aim to serve as a reference and analysis for academics and students in the fields of political science, economics, law and other disciplines. The work aspires to be helpful to government officials, financial institutions, research libraries, the news media, and to members of the interested public.

Yours sincerely,
Marina Larionova

PART I

ANALYTICAL PARADIGM

Chapter 2

The Concept and Definition of Global Public Goods

Sergey Medvedev, Igor Tomashov

The Role of the State in Provision of Public Goods

The provision of public goods is one of the most important tasks for modern states. Moreover, the state itself may be seen as a “public good” which should according to the institutional theory establish in society clear “rules of the game” and guarantee that every resident of a certain territory complies with them (North 1999). The importance of the provision of public goods has steadily grown as the societies have evolved from agrarian to industrial, and then from industrial to postindustrial.

In fact, during the Middle Ages the main concerns for the rulers were safeguarding the security of inhabitants of their land and providing minimum standard of medical care in case of epidemics. Modernity brought about significant growth in the amount and quality of state-provided public goods. The wealth of nations has increased with the development of capitalism, citizens started to pay bigger taxes and to demand more social services. The establishment of institutions and infrastructure necessary for economic growth has become an immediate task for the states.

Adam Smith was one of first who “had made a powerful plea for the state (o provide education and training to overcome the debilitating effects of the division of labor in modern factories” (Desai 2003). In the 19th century the state began to regulate the daily working hours. Added to these demands were the calls to develop urban infrastructure, build roads and water systems as well as provide citizens with housing.

Another breakthrough in the sphere of the provision of public goods was made in the 20th century; its theoretical foundations were laid by the concept of the “welfare state”. It was proclaimed that states should take responsibility for social welfare of the citizens and for the correction of the failures and negative externalities of the market. As a result, one can observe an increase in the provision of such goods and services as roads and education; public health, housing and higher education started to be seen as public goods; the size of social payments and amount of claimants has been permanently on the increase (Desai 2003). The concept of public goods has become one of the pillars of the economic science.

The massive changes of the late 20th and early 21st centuries had a considerable influence on the system of the provision of public goods. The collapse of the communist regimes has necessitated the establishment of the new effective state institutions; the processes of globalization have led to an erosion of state sovereignty and to the emergence of a variety of new actors, namely transnational corporations, non-governmental organizations, and supranational structures. The wave of the expansion of capitalism and democracy, as well as a qualitative leap in the development of technologies, have brought forward a question of whether globalization is providing new opportunities for development for the poor and inequality reduction, or only widening the global social inequality. The concept of global public goods was formulated as a part of the answer to this question.

The Notion of Global Public Goods

Public goods are those goods and services which being granted to one person may be available to others without any additional costs incurred to them (Block 2004). Their key characteristics are non-excludability and non-rivalry in their provision and consumption. Non-excludability means that the producer of a good cannot prevent other persons from enjoying it; non-rivalry assumes that consumption by one person does not diminish its availability for others (Afontsev 2003). The examples of public goods are national security, economic stability, and social order and rule of law provided by the government.

Few public goods are “readymade”. On the contrary, the decision to make a certain good public or private is a result of social processes and political choices. The size of financing the provision of public goods is defined in the course of the political bargaining influenced by the voters’ decisions to support one or another political party. For example, public health and higher education are the goods, which have different extent of non-excludability and

non-rivalry: they may be free or paid services; hospitals and universities may accommodate more or less patients and students, respectively. Television may be public and accessible for all who live in the broadcasting area, or it may be an excludable good in the case of cable or private TV.

The fact that some individuals and groups may benefit from the provision of public goods more than others does not change the main properties of these goods. However, it can determine the voters' preferences and government policies as well as aggravate the "free-rider problem" (since there are stimuli to avoid bearing costs of provision of public goods) (Afontsev 2003). The problem of distribution of costs and benefits is especially sensitive at the international scene when it comes to the provision of the so-called global public goods.

Historically, one of the first global public goods was the Principle of Freedom on the High Seas, which had been negotiated in the early 18th century. Later, the rules of international trade and travelling between countries were established in the 19th century. Throughout the 20th century the development of the concept of global public goods was impossible because of the geopolitical and ideological rivalry between major powers: Germany, France and Great Britain at the beginning of a century; the USSR and the US in its second half. The conditions for emergence of the concept of global public goods appeared only at the end of the 20th century following the breakup of the Soviet bloc and the acceleration of globalization.

Global public goods are goods which benefits (and costs) cut across state, social and generation borders. At least they should extend to more than one group of countries and should not discriminate against any population group or generation (Kaul, Grunberg et al. 1999). Global public goods are characterized by the same features as national public goods, namely non-excludability and non-rivalry, seen from the standpoint of international actors. The examples of global public goods include environment, communicable disease control, and financial stability.

Some public goods are invariably "global" in its origins and characteristics (ozone layer and climate stability); others emerged as a result of human activity (knowledge, human rights, world cultural heritage, the Internet) or represent a certain group of global policy outcomes and efforts aimed at guaranteeing peace and security, sustainable development, free trade, equality and justice.

It is worth mentioning that different types of global public "bads" exist along with global public goods. By this term one can describe the effects

opposite to the respective global public goods — destruction of the environment, spread of infectious diseases, terrorism, abuse of human rights. Emerging in the most cases as negative externalities in the situations when an individual, firm or any other actor takes an action but does not bear the full costs, they usually attract more attention of the international community than the creation of global public goods.

The Factors of Emergence of Global Public Goods

National and global public goods do not contradict each other. On the contrary, in the globalized world, the creation of one goods contributes to the provision of others. Material welfare stimulates people to use more actively the advantages of globalization and leads to the spread of post-material values in developed societies. So the realization of humanitarian programmes in poor countries helps to reduce the global gap between the North and the South. In general, strengthening the interdependence between countries changes our perception of the social reality and promotes the recognition of the importance of global public goods.

The bulk of global public goods are national public goods that have gone global in recent decades (Kaul, Mendoza 2003). The doctrine of human rights, originally acknowledged only in some Western countries, became universal in 1948, and at the end of the 20th century turned into one of the ideological and institutional bases of a new world order. The interdependence of economies has grown to an extent that makes the provision of financial stability and economic growth impossible without coordinated actions at the international level. People began to understand that the environment is a common heritage of all inhabitants of the Earth, and that negative effects cut across state borders, meaning that ecological policy cannot be limited by the borders of individual states.

The development of new technologies is undoubtedly one of the most intense catalysts for ongoing changes in lifestyles and world views. Firstly, it increases the quality of life and the wealth of nations. Secondly, it lowers transport and transaction costs, enhancing the mobility of goods, services, information and people. In the conditions of decreasing economic and political barriers between countries different global actors have an opportunity to use existing technological potential effectively.

The emerging international system is in many ways unique because its basic principle is not a balance of power or the doctrine of deterrence. Right the opposite, it is built upon the “network logic” aimed at the inclusion of new

members. The larger the network, the larger the benefits to its members; addition of new members, far from taking away from the existing consumers (or members of the network), enhances the opportunities for all (Kaul, Grunberg et al. 1999). The states and actors tend to refuse non-cooperative strategies, understanding that they may undermine their ability to respond to the new systemic risks, such as climate change, excessive economic and financial volatility, growing social inequality. The development of cooperation is especially active at the regional level.

It is worth noting that regional economic and political organizations promote liberal world order and enhance openness of the states rather than divide the world into several “protectionist fortresses” (Afontsev 2003). The best example here is the EU, an institution whose members have gone through a long history of conflicts but finally realized the positive potential of the collaborative work on the provision of public goods. By “regionalization” of national public goods member-states have not only benefited themselves economically, but they also created a surplus product valuable for all in the world. For example, the travel-free Schengen zone today is a global public good for the rest of humanity.

The Types of Global Public Goods

Global public goods are a recent but highly important link in the chain of creation of public goods. Virtually all economic agents participate in their provision, namely producers and consumers of private goods, states, international political regimes (treaties and organizations). The former pay taxes and can voluntarily help those non-governmental organizations which pursue transnational goals. The states provide public goods beneficial first of all for their citizens but also used as “bricks” for creating global public goods (e.g. national air navigation systems). The majority of regional economic and political organizations aim at guaranteeing on a certain territory the conditions for peaceful development and sustainable economic growth which is also beneficial for the entire international community. That is why these organizations and goods provided by them may be characterized as “intermediate” global public goods, which make possible the provision of “final” ones (Afontsev 2003).

As pointed out above, global public goods may be divided into three main groups by the nature of their publicness and the conditions of their provision (Kaul, Mendoza 2003). Firstly, there are *global natural commons*, e.g. the atmosphere and the high seas. These are non-excludable and rival goods, although de facto available to all (Gardiner, Le Goulven 2002). The key

problems of the provision of this type of global public goods are their overuse and abuse, and the difficulties of their renewal.

The second type of global public goods is *global human-made commons*. The examples include theoretical and applied knowledge, global network of information and transport communications. An access to these goods may be free or limited: for example, the knowledge of Pythagorean Theorem cannot be limited while the access to newest inventions usually protected by patents and licenses is limited. The majority of these goods are national public goods, which have gone global and have become non-excludable at the international level. However, a complex task of guaranteeing their non-excludability causes the main problems of their creation and provision, namely the underuse and illegitimate restriction of access to them for the larger part of the humanity.

The third group of global public goods consists of *global political outcomes*. Unlike other goods, they are not material objects and cannot be created once and for all. The examples are international peace, free trade, struggle with infectious diseases, and environmental protection. These goods are non-excludable and non-rival, but the lack of institutional mechanisms and incentives to cooperate usually prevents key international actors from providing them.

All recognized global public goods may be divided into four categories: economic, social and political, infrastructural, and environmental global public goods.

Economic global public goods are liberal trade regime (free trade), financial and economic stability, sufficient supply of natural resources (e.g. oil) critically important for the world's economy.

Social and political goods are safeguarding international peace and security, mediation of conflicts, observance of human rights, maintenance of the rule of law and social order, struggle with illnesses and improvement of medical standards. It shall be stressed that the provision of these goods is impossible without the establishment of effective institutions at different levels of global governance.

Infrastructural goods are those which emerge as a result of cooperation between different countries and standardization of goods provided by them. The examples include global air navigation system, physical and virtual infrastructure of the Internet, knowledge in a broad sense of this word.

Finally, ecological goods are the ocean, atmosphere, biological diversity, climate stability, etc.

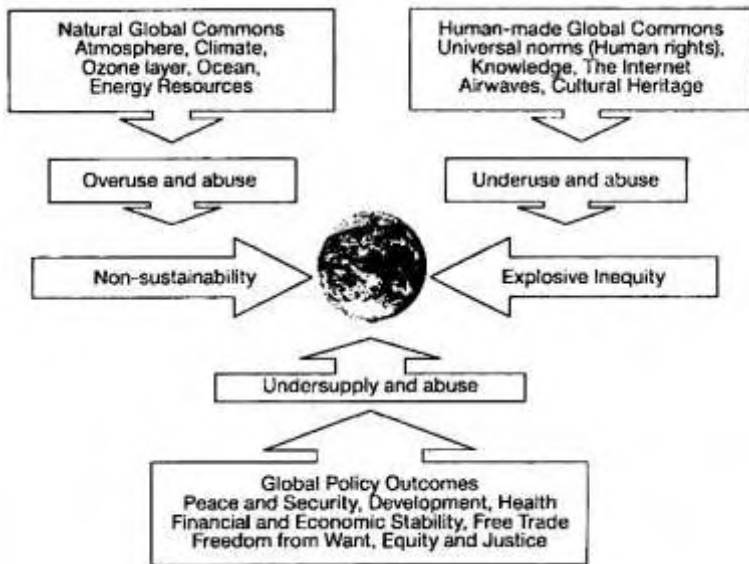


Figure 2.1. The Typology of Global Public Goods

Global Public Bads

The concept of global public bads is a reverse side of the concept of global public goods; global public bads are phenomena and processes opposite to those addressed as global public goods: international crime, terrorism, poverty and inequality, spread of communicable diseases, abuse of human rights, environmental deterioration. Struggle with different types of global public bads usually has a higher place in the global agenda than the provision of global public goods. And despite the considerable progress in the last years an overcome of the political and financial gap between these tasks is still a top priority for the entire international community.

Global bads are more public than global goods — they attract more attention of society, mass media, and politicians. While the creation and provision of goods are usually perceived as a routine process, public bads appear in concrete forms and facts threatening people's daily lives and well-being, and thus draw a wide public response and make people speak up. In an ideal model the provision of global public goods should lead to the eradication of bads, and vice versa. That is why researchers call politicians to pay more attention to a

positive agenda. But in reality global public policy is based on other principles, being accountable to citizens of democratic countries and mass media.

Investment in the provision of global public goods usually does not generate immediate effect. Their benefits cannot always be calculated in terms of economic efficiency. They should be directed to the poorest areas of the world, “buried in the sand” almost literally. This prevents one from moving from the rhetoric on common challenges of globalization to real actions. The US, the leader of the modern world, spends around 16% of its federal budget on defense, which is 16 times more than its foreign policy spending (Nye 2002). In sum, the country spends only 0.1% of its GDP on aid to foreign countries, which is three times less than the EU does, and seven times less than the level of spending on the economic assistance recommended by the UN (0.7% GDP) (Nye 2002; Nuscheler 2003).

The international agenda is oriented towards the struggle with global public bads rather than the provision of global public goods. Rich countries have enough knowledge, technologies, and resources to secure themselves against global threats — and sometimes they prefer to distance themselves from the instability and conflict areas, creating “gated communities”. From the one side, the 9/11 attacks showed the sheer futility of this strategy and the necessity to create a global security system. From the other side, the consequences of invasions of Afghanistan and Iraq organized thereafter revealed a lack of legitimacy of the policy of “liberal imperialism” and the emergence of rifts within the West.

In the modern world public bads exist and develop because of the lack of efforts to provide global public goods by nation states and international organizations. Moreover, differences in defining “good” and “bad”, global inequality, difficulties of cooperation between states prevent the formulation of a clear strategy of humanitarian policy. International cooperation is often restricted by the lowest common denominator which is the struggle with existing problems, but this does not lead to the minimization of costs. Right the opposite, spending on the defense, conflict management, establishment of the new international institutions, struggle with natural disasters (all measures to counter global bads) may considerably exceed the size of long-term investments in the provision of the global public goods. In the long run providing global public goods is more cost-effective than fighting global public bads. All these facts indicate the demand for new approaches to the problem of international collective action.

Global Public Goods (GPGs) and Global Public Bads (GPBs)
(Gardiner, Le Goulven 2002)

Type of GPGs	Benefits		Nature of supply problem	Corresponding GPBs	Costs	
	Non-excludable	Non-rival			Non-excludable	Non-rival
Economic GPGs						
Liberal trade	+	+	Undersupply	Fragmented markets	+	+
Financial and economic stability	+	+	Undersupply	Financial crises, excessive volatility	+	+
Provision of the resources to the world economy			Undersupply	Lack of resources	+	+
Social and political GPGs						
Peace and security	+	+	Undersupply	Wars, conflicts, terrorism	+	+
Human rights	+	+	Underuse, lack of access	Human rights abuse, discrimination	+	+
Rule of law and social order	+	+	Undersupply	Social conflicts, injustice, corruption	+	+
righting disease	+	+	Undersupply	Infectious diseases (AIDS, malaria)	+	+
Infrastructural GPGs						
Global system of air navigation	+	+	Underuse	Incompatibility of standards	+	+
The Internet	+	+	Underuse, lack of access	Barriers to the Internet (censorship, absence of physical infrastructure)	+	+
Knowledge	+	+	Underuse	Barriers to information	+	+
Ecological GPGs						
Ocean	+	—	Overuse	Contamination of the ocean	+	+
Atmosphere, climate stability	+	-	Overuse	Global warming	+	+
Biodiversity	+	+	Overuse	Disruption of the ecosystems	+	+

The deep transformation of the last twenty years has radically changed the global geopolitical landscape. Erosion of the state sovereignty, growing interdependence between key international actors and the emergence of new actors (transnational corporations, international non-governmental organizations) led to the “globalization” of the concept of public goods. Another shift is the widening of the range and scope of problems impacting the international community. Human rights abuse, social and ethnic conflicts causing the regional and global effects (political destabilization, flows of refugees) are not seen any longer as domestic affairs of a certain country. The international economic system has reached an unprecedented level of integration, which is being clearly demonstrated by current global financial crisis.

However, the “globalized” world is not becoming any more equal. The United States and the EU keep their leading positions in global politics, economy and culture. The prospect of fighting global public bads boils down, in the final analysis, to the ability of Western countries to respond to external threats and to overcome their self-interest. The provision of global public goods is impossible without their readiness to make long-term investments and to refuse voluntarily from part of their super-profits in favor of the “black hole” of the developing states. Some hopes of remaking the global agenda are connected today with the rise of China and the realization of the concept of “sharing global responsibility” (Lomanov 2008), but again the economic development of China is to a large extent just a derivative of the wealth of the key consumers of Chinese goods, the US and Europe, and the position of China is definitely undermined by the global economic crisis.

The problem of international collective action is one of the main obstacles preventing the creation of stable mechanisms of providing global public goods. The common aims of the international actors are vague; they lack the understanding and vision of the process of collective action and its coordination mechanisms; there is no clear solution to the problem of distribution of costs connected with the provision of global public goods; and attemptation of “free-riding” is too strong. Traditional and rational thinking is sometimes not able to understand the stimulus of those who engage in humanitarian activities. However, the amount of transnational non-governmental organizations that address global humanitarian concerns is growing, and this is an encouraging fact.

There are three main strategies for creating global public goods: “summation”, “weakest link”, and “best practice” (Kaul, Grunberg et al. 1999). “Summation” aims at combining efforts of all stakeholders but it also has

(lie highest extent of “free riding”. Its essence is rather simple: everyone contributes to the creation of the global public good, for example, trying to reduce the carbon dioxide emissions. An overall reduction of emissions is a result of actions of all the participants despite their size, status and geographical location.

In the “weakest link” strategy the provision of the public good is measured by the effort of the weakest member. The most developed countries may make a considerable progress in their struggle with infectious diseases or terrorism, but the creation of the “final” good, i.e. the eradication of these public bads, is impossible without an effective struggle with them in every country in the world. Within this strategy of critical importance is the factor of cooperation with the weakest links in the chain of the provision of global public goods.

The third method, “best practice”, in the current conditions looks as the most promising one. It is best suited to the existing situation of the deep social and technological gap between the North and the South. The provision of global public goods in these conditions is a prerogative of the developed countries. They have considerable knowledge and broad opportunities to develop environmentally friendly technologies, to struggle with communicable diseases, to respond to the emergencies. The question is whether these goods are truly global or whether they deepen the gap between the richest and poorest parts of humanity.

A multidimensional development of the international cooperation is undoubtedly the main prerequisite for progress in the provision of global public goods. The bases for this process have been laid during the last twenty years. Much depends on the exist strategies from the current crisis of globalization. First steps, of course, have to be made by the representatives of Western countries and their multilateral institutions. The future of the humanity depends today on the resolution of the EU, the G8 and the G20 to create and provide global public goods in a pro-active and preventive manner.

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Chapter 3

Key Concepts for Exploring the EU's Role in the G8

John J. Kirton Introduction

In order to explore the present and future role of the EU in the G8, it is important to invoke, develop and apply several key contemporary concepts from International Relations Theory. This chapter focuses in turn on soft power and soft law, concerts, vulnerability and shocks, globalization and complex adaptive systems and multilateral governance and networks.

Soft Power and Soft Law

Along with global public goods, soft power is a key concept required to explore the dynamics of the EU — G8 relationship. Whereas global public goods, refer primarily to the product of the EU and G8's global governance, as they operate both alone and together, soft power refers to the influence they exert, and to the diplomatic and political process by which their collective governance results and their effectiveness arise. Soft power is thus (1) a form of national power or relative capability that EU and G8 members mobilize to conduct their EU/G8 diplomacy, (2) a process of influence within these international institutions as members try to shape them to their preferred ends, and (3) a type of impact which the institutions as collective actors have on members, international relations and global order as a whole. It is power, process and product all at once.

Soft power in its key components has long had a legitimate, indeed central place in the mainstream realist repertoire. Indeed, Hans Morgenthau specified the soft, essentially non-material ideational capabilities of “national will” and “quality of diplomacy” as uniquely having a multiplicative rather than merely additive importance among the factors of national power he identified (Morgenthau 1948). Subsequent realists in this tradition have been faithful to the calculus he set (Cline 1975, 1978).

The modern conception of “soft power” is pre-eminently the one introduced by Joseph Nye in 2002. It offered a third form of power and diplomacy, beyond coercion (“sticks”) or payment (“carrots”). It added the distinctive power of attraction that could equally be used to influence the “minds of men” through active persuasion efforts at ideational enhancement or even without any conscious or active effort on the attractors’ part. Its sheer magnetic pull could work all alone.

A closely related concept, operating at the level of the international institution rather than its state members (as soft power primarily does), is that of “soft law” (Abbott et al. 2000). Soft law’s opposite on an ideal type spectrum, hard law, flows from the hierarchy within sovereign, territorial, exclusive Hobbesian or Westphalian states. Hard law refers to “legally binding obligations that are precise (or can be made precise through adjudication or the issuance of detailed regulation) and that delegated authority for interpreting and implementing the law” (Abbott, Snidal 2000). Hard law often comes in the form of a treaty. It is restrictive and can be judged when necessary.

Soft law, in contrast, is not legislatively entrenched. But it is far more than pure politics, where power and fixed interest and preferences are fully present and legalization entirely absent (Meyer 2008). Soft law is flexible but binding in a political, sociological, psychological and personal rather than legal sense. It is still results oriented, as the actors that softly make the still clear commitments do so with the intention of complying with them. The type of soft law applied, among the many forms available, is often reflective of the problem being addressed (Chinkin 1989). Soft law covers a wide spectrum of intergovernmental behaviour.

The hard law-soft law distinction points to a defining difference between the EU and the G8. Virtually since its start, what is now the EU has been the world’s premier hard law international institution, wielding in some respects supranational authority over its member states. This authority is internationally and domestically legally entrenched, exercised by the Commission as the regional civil service, adjudicated by the European Court of Justice, and overseen by the European Parliament. In sharp contrast, the G8 is a quintessential soft law institution, with no legal agreement or charter, and no executive, judiciary, legislature, or secretariat of any form or indeed any permanent physical embodiment anywhere.

Yet beyond this stark central distinction, two important complexities immediately arise. First, the EU is also a more informal soft law institution, both in the form of its intergovernmental European Council and also in the many

non-legally mandated instruments and actions (from moral suasion onwards) that its agents wield to get their way. Second, the G8 contains as a member the EU with its ever expanding membership and the ever greater hard law and international organisational capacity that this supranational entity accumulates. Both the EU and G8 are thus both hard law and soft law bodies, if in different degrees and ways. Together they produce multilevel governance, with the four countries of Germany, France, Italy and Britain, serving as G8 members in their own right, but also as core members of an EU that is a G8 member in its own right as well. The stark Westphalian formula of self contained states territorially exclusive sovereign in an anarchic system is severely compromised in these ways.

Membership

If both the EU and the G8 are thus soft law institutions, they also exercise soft power in consequential ways. The first, and perhaps the greatest power of attraction they wield is the pull of potential membership, which powerfully influences the otherwise autonomous behaviour of sovereign states that are not yet a member of the club. It has long been known how powerfully the EU attracts would be applicants to alter their internal policies, political affairs and even constitutional structure, to make them more EU-like and thus more likely to be accepted into the EU club. To a large degree these would be applicants are pulled by the promise of “payment”, in the form of subsidies or protection from potential predators outside. But the prestige of membership in such an elite club, and of being accepted a modern, like polity and as an equal has an additional, autonomous effect.

The highly informal G8 also exercises a similar power of potential membership attraction. From its start as the G4 summit (among Britain, Germany, France and the United States) at the British Embassy in Helsinki in July 1975, to its first stand alone G6 (which added Japan and Italy) summit at Rambouillet, France in November that year, a large number of consequential countries have wanted to join the club. While many have sought admission, including EU members, the Netherlands and Belgium, and the EU itself since the start, enough have succeeded to keep the promise and thus power of potential membership attraction alive (Hajnal 2007). Immediately after the G8 started with six members in 1975, it added Canada in 1976. One year later it expanded again to make the semi-state EU a member of the club. EU accession confirmed the G8's character as an open membership expansionist and democratically devoted one, and an informational institution where other

international institutions had an integral place. In both cases, and that of Russia admitted in 1998, securing full membership was a long, incremental process, with the effect that the power of potential full membership was reinforced. To this day, the EU is not yet a member of all G8 institutions and has never hosted a summit at its own. Yet it increasingly sends two leaders to the annual G8 summit (the head of the Commission and an outside or non G8 head of the rotating Council). Moreover, as early as 1982, in the trade ministers Quadri-lateral composed of the US, Japan, Canada and the EU, the EU itself extinguished the very existence of G8 members and major EU powers Germany, France, Britain and Italy as separate actors in the club.

The would be members of the G8 have been driven not only by a desire for payment. It is often more costly to be a member of the G8 club counted on to finance and otherwise provide very expensive global public goods, rather than to remain as a free riding state on the outside. Nor have claimants and candidates been driven only by a defensive positionalist desire to prevent through a de facto veto any collective G8 club action that can do them harm, or an offensive hope of mobilizing the member to reinforce their preferred preference in the world. In addition they have been driven by a desire for the prestige — at home and abroad — that sheer membership or participation in this small, elite, exclusive club of the world's major powers confers.

In this latter desire states are pursuing what Morgenthau, that foundational post world war two realist, termed a foreign policy of “prestige.” And such states are being rational in their behaviour from the standpoint of their domestic policies as well. Indeed, the first of the six key dimensions of G8 governance performance is domestic political management — the way leaders use their membership and involvement in the G8 summits to help get what they want politically and in policy terms back home. The remaining dimensions, all internationally oriented are of a more rational, instrumentalist nature: deliberation, direction-setting, decision-making, delivery and the development of global governance.

Values

A second form of soft power, wielded both by the EU and G8 are the shared values it embodies, espouses and radiates outward to a wanting world. Probably the most powerful value is open democracy and individual liberty, the core mission of both the EU and G8 as international institutions and their members — if more in principle than in practice — of all member countries in each club. The membership expansion of both the G8 and the EU has rein

forced rather than diminished this soft power pull. A second powerful value is the acceptance as equal allies of former enemies with unequal relative capabilities. Here both the EU and G8 have included countries on both the decline and rise. Both the EU and the G8 have included from the start the vanquished powers of Germany and Japan, as the United Nations Security Council Permanent Five has not for its first 64 years. The G8 accepted Russia before its material defeat in a great war power. The EU for 64 years, and even the G8 for 35 years have helped end the interstate war in Europe that had erupted recurrently for centuries before 1945.

Consensus

If potential membership and shared values are sources of soft power for the G8 and EU, consensus is the decision-making procedure by which unequal material capabilities are translated into outcomes that more equally reflect the preferences of all members. Both the EU Council and G8 depend on consensus, not in the hard law form of a unit veto system but in a flexible exchange in which reluctant members, even the most powerful, are expected to and do adjust and even acquiesce in the overwhelming desire of the other members of the club. The resistant are thus attracted into the consensus of the club. This soft decision-making procedure can lead to hard commitments, replete with high levels of precision and obligation, if not necessarily delegation to others to put the consensus and commitment into effect. While the EU, with its array of organizations, has many such opportunities for delegation, it also relies on the soft law alternatives on which the G8 entirely depends. It is also worth asking whether the dense conversation that leads to consensus, together with the prestige of membership in these elite clubs, reconstructs the conceptions of interest and identities of the members in ways that ease the delegation task.

Compliance

Another soft power process within both the EU Council and G8 concerns implementation, starting with the compliance with the consensus and the commitments of the members.

In the case of the informal, soft law, G8 major market democracies, the compliance of member states with their commitments has always been positive overall, and has been steadily rising to rather high levels now. In the critical field of the environment, including climate change, compliance has been high. In the 1975-1989 period, compliance with commitments in energy — the closest cognate field assessed — was the highest of any issue area, at +73,

relative to an overall average of +30, measured on a scale from +100 to -100. Subsequently, for the period 1988-1995, compliance with all G7 climate change and biodiversity commitments rose to substantial levels, on the part of both the weakest member, Canada, and the most powerful member, the U.S. (Kokotsis 1999). On the critical environmental issue of climate change, compliance with the 45 measured priority commitments (out of a total of 166) from 1985 to 2007, produced an average compliance score of +50%. Climate change compliance by members was as follows: the EU (+78), Britain (+67), Japan (+63), Germany (+60), Canada (+51), France (+47), US (+39), Russia (+29), and Italy (+23). All of these major powers were in the positive range, with the world's second and third most powerful countries (Japan and Germany) coming in with substantial compliance, and the U.S. being bound as well. The EU as a separate actor came first. There was a general rise in compliance levels since 1987, apart from a big dip in 1999-2001, and a very high performance since 2002 with only a brief dip in 2006. This record suggests that global, plurilateral institutions, using soft law instruments, are effective in binding the world's most powerful states, and above all one of its most powerful international institutions, the EU.

Within the EU, an analysis of implementation of EU environmental directives — a hard law instrument — from 1979 to 2000, as measured by the number of official infringements received by the 15 member states for non-implementation, suggests that the most faithful implementation comes from the smaller members (Denmark 5, Sweden 8, Netherlands 8), while the greatest violators include the larger members (Portugal 46, Italy 42, Belgium 40, Ireland 36, France 32, Britain and Spain 28, Greece 26, Germany 22) (Perkins and Neumayer 2007). In addition, members often implement directives late. This suggests that regional organizations, using hard law instruments, are not notably effective in binding the most powerful states that will have the biggest impact, either positive or negative.

In addition to this comparative record, that of the EU within the G8 stands out. For the EU has consistently proven to be one of the highest complying member of the G8 club. There is no analysis of why this may be the case. One possibility — that it has an organisation of its own to implement — seems unlikely as an explanation, because other members led by the US have large national organisations of their own to do such work. This points to the potential potency of soft power instruments — notably the skill the EU has acquired in forging meaningful, workable consensus among its member states.

Two other elements of the G8's compliance record point to the autonomous impact of soft power. First, the fact that compliance can be higher in regard to welfare objectives than it is for implementing instruments or actions used by member governments, suggests that moral suasion works — that if the G8 governors collectively declare they want something, they will tend to get it, even though their own legal, organized governments do nothing to put it into effect. The second is the accumulating evidence on the catalysts of compliance contained within G8 commitments. While a few hard law instruments matter — notably reference to the functionally core international organisations, many others including money mobilized (payment) do not. At the same time some soft law catalysts — notably priority placement — work in exerting a compliance creating effect.

Concert

A second core concept is the classic one of concert, drawn from the realist tradition in international political theory. Presented in Hans Morgenthau's (1948) compilation, it acquired further prominence with Henry Kissinger's classic, *A World Restored* (1957), and Hedley Bull's *The Anarchical Society* (1977). It has since been theoretically developed by several leading scholars, and applied to G8 governance, starting with William Wallace (1984) and John Kirton (1989) and continuing with Richard Rosecrance (2001), Risto Penttillä (2003) and others.

The concept of concert is reliably realist in that it focuses on great power governance. Indeed it highlights great power dominance of the system and their provision of global order and global public goods. It identifies what a concert, as a distinctive form of international institution, is, how it operates and what its systemic function and impact is. Concerts are clubs that include all of the great powers in the system, and only those powers. They collectively meet at the summit or ministerial level, to collectively decide, by consensus, all of the major issues of the day, including the existential, ontological questions of what the states' territorial boundaries are, and even what states should exist. Concerts' systemic power arises from their collective predominance, systemic reach, prestige, internal diversity, and the absence of any outside great power rivals to form a counter-coalition to challenge concert governance or contain its systemic effect.

Both the EU and the G8 are, increasingly, global concerts. The EU, after Britain's accession, contains all of the European great powers of regional and global relevance and reach, including such contenders for top tier status as

contemporary Spain. Its institutional embodiment as a concert comes in the frequent summits of the European Council. The presence of non-great powers as equal members of the Council erodes its claim to be a concert in pure form. Moreover, the absence of Russia as a full member limits its claim to be a pan European global concert, relative to other Euro-centric plurilateral summit institutions (but not concerts) such as the Organization of Security and Cooperation in Europe (OSCE). It may even limit its claim to be a regional, European concert, depending on how “Europe” is defined. But it is clear that the admission of Russia as a full member of the European Council would make the latter a genuinely global concert, given Russia’s continuing status as a superpower, classically defined (Fox 1944). The admission of Canada, another Arctic, Pacific and Atlantic power which consequentially borders two European states (France and Denmark) as well as Russia, would help as well.

The G8 began life in 1975-1976 as a global democratic concert, containing all and only the major powers that were democracies from around the world. The admission of Russia as a permanent member in 1998 transformed it into a genuinely global concert, while maintaining its core character, and soft power, as a democratic one. At present, the rise of China, India and Brazil as first tier powers of actual or potential global relevance and reach raises the question of the imminent need or desirability for the G8 to admit them as permanent members, if the G8’s character as a global (and still overwhelmingly democratic) concert is to be maintained (Alexandroff 2008; Cooper, Antkiewicz 2008).

As a permanent and virtually full member of the G8 concert, the EU positioned is far better than in any other global institution (such as the UNSC, IMF and World Bank executive boards) to exert global influence and shape world order. While the expansion of the G8 to include Russia, as a democratizing, major, European power, was easy for the EU to encourage and accept, the potential expansion of the G8 to embrace the very different and more distant China, India and Brazil poses a more difficult issue. Yet the EU’s secure place in an expanded G8 global concert would multiply its global impact, even if it would potentially dilute its influence within the club. Moreover the EU’s important role in shepherding Russia’s inclusion could give the EU an important role in bringing multilingual and federal India, China and Brazil in too.

Vulnerability and Shocks

The third important concept is vulnerability, first introduced to International Relations Theory by Robert Keohane and Joseph Nye Jr. in *Power and*

Interdependence in 1977. It distinguished between mere sensitivity, where changes in one polity are instantly felt within another in an increasingly interdependent system, and vulnerability, where the negative (and positive impacts) is still felt by and within the receiving polity even after it unilaterally changes its national policy (through protectionism, isolationist or other substantive policy adjustments) to offset the impacts. Even after the advent of interdependence, this vulnerability still unfolded within the Westphalian world dominated by self contained, rational, states. The oil supply shock experienced by America in 1973 due to the OPEC embargo was the paradigmatic empirical case that brought this concept of classic state-to-state controlled vulnerability to life.

The new vulnerability set this state-centric world aside, to focus on the unintended, even unconscious or invisible threats, arising from non-state or even non-human sources and/or processes arising anywhere, that could flow in untargeted and uncontrolled fashion to attack any other state and its citizens, in ways that the receiving government, even if aware, was unable to prevent (Kirton 2007). The oil shock experienced by America — the world's most powerful country — in 1979, due to the Iranian fundamentalist revolution using terrorist tactics to assault the sanctity of diplomatic establishments, moved the world into the age of the new vulnerability in a major way. A succession of compounding vulnerabilities in finance, terrorism, crime, health, and the environment has become a recurrent feature of American and global life today.

These new vulnerabilities can be chronic, incremental, cumulative and invisible, exacting severe damage and death, even if they never erupt into a single geographically and temporally concentrated catastrophic event. But they are more likely to have political global governance impacts if they are activated by shocks. Shocks are sudden, severe, surprising events that cause exceptional, abnormal, outlier damage and death. They are distinct from the classic acute international crisis, defined by high threat, high surprise and low time to respond, in that they are real rather than potential impacts, and can be responded to over a longer period of time in order to reduce the underlying vulnerability which they reveal to all.

Both the EU and G8 members, and hence the institutions, are increasingly afflicted by, and thus driven by the processes arising from, the new vulnerability and the shocks that they generate. The members of each institution have moved from being interdependent, with each one started out as, to being inter-vulnerable now. Moreover, they are increasingly inter-vulnerable not

only to processes or events arising in another member (no matter how geographically distant) but from the global community as a whole. As a result, both institutions have been drawn into global, as opposed to intra-regional or intra-G8 governance. Both institutions — notably their EU Council and G8 summits have agendas dominated by these new vulnerabilities, even if the old threats and crises — such as India's and North Korea's nuclear explosions — remain on the agenda as well.

Both the EU and the G8 respond increasingly to the shocks that show such new vulnerability, particularly to second and subsequent shocks, and even now to the accumulating, non-shocking evidence that identifies chronic, compounding vulnerabilities approaching critical thresholds, as in the case of climate change. Moreover, the increase in these new vulnerabilities is moving the EU and G8 from being institutions-as-forums dominated by competition based on relative capability among their autonomous members with distinct preferences, interests and values toward being clubs or even communities with a common aversion to provide global public goods to prevent damage and even extinction to themselves and those outside. This thrust toward community takes place largely apart from any periodic moves or controversies about hard law leaps into higher level, more supranational constitutions in the EU's case. In both the EU and G8 this move to community creation and consolidation is a one-way ratchet-like street with virtually no retreats, even if there are many detours, delays and gridlocks, lasting for a long time, along the route.

Globalization and Complex Adaptive Systems

This movement is driven in part by the systemic process of regionally concentrated and system wide globalization (as in communication, transportation and trade), but more importantly by the processes where complex adaptive systems are at work (notably the natural environment, health, and contemporary finance). Globalization refers to the increasing speed, scope, scale and penetrative impact of trans-border flows. Complex adaptive systems are, distinctly, processes characterized by non-linearity, uncertainty, complexity and unpredictability. The former leads countries to calculate how they can and do act to win a game they all accurately understand, so that they will not fall behind their competitors and may even move ahead. The latter leads all to come together to discover the way things now work in a world no-one understands, to prevent each and all from going down for good. Constructing not only national interests and identities, but the connections that define how the system works, is the task at hand.

The final pair of useful concepts are the concepts of multilevel governance and networks. Multilevel governance directs attention vertically at the way in which actors at several levels of analysis, from supra-national entities such as the EU to local governments, are simultaneously acting across national borders horizontally, and within and across their own polities hierarchically, so to secure their intended results. Such multilevel dynamics are fuelled by the fact that the legal and actual hierarchical division of authority and jurisdiction is not symmetrical across all state members of the EU and G8 (especially with the EU inside), and by the openness of all states within each club. Such multilevel governance can be seen as an extension of the transnational relations or two level games, concepts developed in the 1970's and 1980's to explain the G8 governance (Evans, Jacobson, Putnam 1993).

The newer concept of "networks" for global governance focuses horizontally on the flow of politically relevant communication and interaction of state and non-state actors of all sorts (Slaughter 2009). It is the horizontal flows, rather than the hierarchical legal or capability-based authority that determines outcomes. This concept well captures the character of the G8, at the leaders', ministerial and official levels, as a club and concert of equals, especially as it has extended to link with the Group of Five (G5) of China, India, Brazil, Mexico and South Africa, many other participating countries and international organizations, and a growing dense array of civil society groups. It similarly captures the character of the energetically expanding EU, with the supranational Commission added as an actor in the net.

Of particular importance for global governance is the global network of plurilateral summit institutions (PSIs), and the countries or other actors, inside or outside the EU and G8, that constitute the most well connected hubs. Appendix A reports a preliminary mapping of those major PSIs of global membership. It shows that European Council member's Britain and France stand second (along with the U.S.), as the most well connected countries in the overlapping global PSI network. All G8 members (save Japan, but including Russia equally with Germany and Italy) are in the most well connected top tier set. The one anomaly is the EU itself as a G8 member. This points to the need to consider why the EU ranks relatively low, and what the advantages would be for EU, G8 and global governance of making the EU a member of more global PSIs.

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Appendix A

Table 3.1. The G20 Summit Network through Plurilateral Summit Institutions

G20	G8+5	MEM-16	CMVV	FRA	ASEM	OSCE	APEC	SOA	SCO	NATO	Total
USA	+	+	-	-	-	+	+	+	-	+	6
JAP	+	+	-	-	+	-	+	-	-	-	4
GER	+	+	-	-	+	+	-	-	-	+	5
BRI	+	+	+	-	+	+	-	-	-	+	6
FRA	+	+	-	+	+	+	-	-	-	+	6
(TA	+	+	-	-	+	+	-	-	-	+	5
CAN	+	+	+	+	-	+	+	+	-	+	8
RUS	+	+	-	-	-	+	+	-	+	-	5
EU	+	+	-	-	+	-	-	-	-	-	3
CHI	+	+	-	-	+	-	+	-	+	-	5
IND	+	+	+	-	+	-	-	-	Obscr	-	5
BRA	+	+	-	-	-	-	-	+	-	-	3
MEX	+	+	-	-	-	-	+	+	-	-	4
SAF	+	+	+	-	-	-	-	-	-	-	3
INS	-	+	-	-	+	-	+	-	-	-	3
KOR	-	+	-	-	+	-	+	-	-	-	3
AUS	-	+	+	-	-	-	+	-	-	-	3
ARG	-	-	-	-	-	-	-	+	-	-	1
SAR	-	+									1
TUR	-	-	-	-	-	+	-	-	-	+	2
SPA	-	-	-	-	+	+	-	-	-	+	3
NET	-	-	-	-	+	4*	-	-	-	+	3

Note: Includes only plurilateral summit institutions of trans-regional reach containing members from the developed and emerging/developing world.

Chapter 4

Analytical Paradigms Underpinning Debate on Global Governance

Oleg Barabanov

The concept of “global governance” emerged as the focus of active scientific debates mainly after the studies of Willy Brandt and his colleagues from the UN Commission on global governance. This Commission was created to discuss possibilities for solution by joint efforts of such global problems as deterioration of environment, fight against poverty, infection diseases, etc. In 1995 the Commission prepared its Report “Our global neighborhood”. The Report justifies necessity of global governance by claiming that its development is an essential part of humans’ efforts towards rational organisation of life on Earth and this process will continue forever (Our Global Neighborhood... 1995). The reason for creation of global governance arises from the conviction that humankind after the era of global wars and global confrontation has a unique opportunity for adoption of the “global civil ethics”, which should be founded on the package of fundamental values, uniting people of all cultural, political, religious and philosophic beliefs. Such governance should manifest democratic principles on every level and should be exercised according to the established legal norms, which should embrace everyone.

Definition of the Global Governance

There are several definitions of the “global governance” concept. The term “global governance” was preceded by another term “global government”, which characterized similar phenomenon of the same class but was still at different notion.

What is the difference between the two notions? James Rosenau in his works “Governance in a New Global Order” (Rosenau 2000) and “Toward an Ontology for Global Governance” studied their features in details. His point is that both English notions “government” and “governance” stand for systems of rules, regulation mechanisms for exercising power aimed at keeping specific political system united and to achieve intended goals. The distinction is that “government” is usually understood as specific *structures*, while “governance”

is meant as *social functions and processes*, which are applied in different conditions and in different forms and include a large number of participants. To govern means to exercise power and to have power means to have recognition of those who is covered by this power. Hence, comes another distinction. The power of the government rests on specific constitutional provisions, directives, orders and other official documents. In governance, power arises from the processes as a result of repeated practices, which have authoritative nature, though they may not be formalized constitutionally. The main advantage of the managerial systems which have government as a guarantor is ensuring the regulation process. In case of governance there is no guarantee that obligations will be fulfilled.

Adil Najam, professor in the Boston University and Fletcher School of Law and Diplomacy gives the following definition of global governance: governance of global processes without a global government. And this definition is absolutely valid, bearing in mind delimitation of notions “governance” and “government” formulated by James Rosenau.

Thomas G. Weiss defines global governance as collective efforts aiming to identify, explore further and solve global problems, which are beyond solution at the state level.

Global governance is not a normative notion, which defines qualitative assessment of its manifestation. It refers rather to the specific cooperative arrangements, oriented towards solutions of specific problems. Such arrangements could be formally fixed in the form of laws or officially recognized institutions, which could solve joint problems under support of various actors (states, international organizations, NPOs, transnational corporations and other private structures or representatives of the civil society, even single individuals). However they can also have informal nature (in the case of exercising certain fixed practices) or temporary duration (in the case of coalitions).

Thus we can agree with the definition of global governance, proposed by T.G. Weiss and R. Thakur in their book “The UN and Global Governance: An Idea and its Prospects” (Weiss, Thakur 2003):

Global governance is a complex of formal and informal institutions, mechanisms, relations and processes, which exist among and embrace states, markets, single citizens and organizations non-governmental as well as intergovernmental through which at global level, collective interests are defined, rights and obligations are established and arguments are settled.

So far several different approaches to global governance architecture have been developed in the international political discourse. Some call for creation of more relevant institutions designed to better fit new global processes. Others stipulate the need to reform already existing institutions and equip them with broader range of authorities.

There is one more possible option, which is non-institutional political governance of global processes. It could take the form of unilateral global domination of the most powerful empire as well as of global consensus among democratic countries. Given recent events (unilateral decision of the U.S. to launch military operations in Iraq, despite the absence of an official mandate from the UN Security Council), the first option seemed a fact, with the U.S. on the top of this system of global governance. The idea of a unipolar world is supported by several political analysts associated with the school of political realism, such as the former U.S. National Security Advisor Zbigniew Brzezinski, who emphasized four main fields, in which the U.S. leads: military and political, economic, technological and sphere of mass culture. Supporters of “American hegemony” in global governance often operate by the theory of “hegemonic stability”.

The studies, conducted within the school of international political economy, explore interconnection between stability of economic regime and presence of a state-leader. They posit that existence of such hegemonic state leads to the creation of stable economic regimes, since the leader creates rules and norms of conduct, which are accepted by others.

The idea of “American hegemony” as well as previous approaches draws a lot of critical responses, including those, which were discussed in connection with concepts of the unipolar world. J. Nye persuasively argues the case of unrealistic nature of this approach in his book “The Paradox of American Power: Why the World’s Only Superpower Can’t Go it Alone” in 2002. The main argument stated by J.Nye is that in modern world one cannot ignore goals, interests and activities of other actors in international life.

D. Messner in his book “Architecture of World Politics” identifies six dimensions of global governance (Messner 1998):

- 1) ***Polycentric architecture of global governance***, when politics is based on the collective processes of search for solutions and mutual understanding among the governments of participating states, i.e. on the system of “shared sovereignties”.

2) **Diversity of actors.** States maintain monopoly on fixing and implementing certain political courses, but private actors play more ponderable role at such stages as identifying problem, analysis of problematic connections and implementation (for example, information gathering, monitoring, work in public-private regulatory institutions).

3) **Diversity of international cooperation models.** Global governance is exercised on the basis of collective identification and solution of problems and presupposes cooperation between public and private sectors; international organizations in the global governance architecture can take upon themselves coordinating functions and contribute to the elaboration of global methods for studying and perception of problems, which could help correct national limitation of other actors.

4) **Asymmetry in global governance.** Global governance emerges at the cross-roads of national interests, power relations and necessity of joint solution of problems beyond the borders of single states.

5) **Maximal multilateralism and multi-level approach.** Attraction of as many participants into the global governance processes as possible, as well as multi-level policy of the global governance architecture (local — national — regional — interregional or international — global).

6) **Decisive transformation of politics and innovative institutionalization.** Institutional and procedural reforms at different levels, which are aimed at adapting systems of governments in certain states to the new realities and transforming existing system of global governance into a sustainable and productive policy network.

Taking into consideration a diversity of approaches to the definition of the ambiguous concept of “global governance”, the studies of world politics use one or another, depending on their ability to capture realities of the transforming world political systems, processes, which come along with these transformations, as well as actions of stakeholders, participating in these processes.

Main Theoretical Schools on Global Governance

Global governance is a widely debated topic in world politics. Moreover, there are arguments not only on practical implementation of this idea, but also on conceptualization of this phenomenon. Hence, it is relevant to analyze interpretations of “global governance” in at least two theoretical schools — realism and international liberalism — as the most authoritative and more or less opposing to each other.

Realism

Political realism is the oldest approach to the studies of international relations, its antecessors were Thucydides, Machiavelli and Thomas Hobbes. Among representatives of this school writing on global governance Robert Gilpin in his study “A Realist Perspective on International Governance” mentioned Hedley Bull, E.H. Carr, Hans Morgenthau, Reinhold Niebuhr, Kenneth Waltz and Martin Wight (Gilpin 2002). All those scholars, including Robert Gilpin, have similar approach to international relations. Realism itself (as well as Liberalism and Marxism), according to Robert Gilpin, is more a certain philosophic position, then scientific theory in its pure form. It means that the approach cannot be a subject for an empirical analysis, and therefore to be verified.

Realist perspective on international relations includes several key characteristics:

- international relations as a system constitute anarchy, without supreme political authority;
- state is sovereign and not subject to any higher secular authorities;
- states as major actors in international relations cooperate with each other and create international organisations but only in those spheres where their interests coincide;
- in international relations states are guided by the principle of preservation of national interest and maintainance of national security;
- one of the key notions, defining the role of state in international system is power relations (predominantly military, but also economic, cultural, psychological, etc.).

Thus, according to the school of realism, states should always be on the alert, given real and possible threats for their political and economic independence (Gilpin 2002), and the global system itself, according to the metaphor of Kenneth Waltz, could be characterized as “self-help international system” (Waltz 1979).

As for participants in international relations, realists, as it was mentioned earlier, assume that state is a major actor on global political scene, though they accept importance of other “players”, such as the WB or IMF. However this applies to neorealists, but not to the adepts of traditional paradigm in realism, who recognize states as the only actors, which can influence political process virtually. Still, domination of states remains undoubted among realists (and even neorealists).

The globalization processes, which are especially evident in economic sphere, are explained by realists not from the perspective of state-“erosion” and transformation of the world into integrated economy, but from the same perspective of national interest of every single state, which claims that currently integration policy is more advantageous, but it does not mean that such situation will remain forever.

On the other hand realists recognize influence of transnational corporations (TNCs) and non-for profit organizations (NPOs) and even assert that states will not exist forever. The idea supported by R. Gilpin, that they were created, for example, to implement certain tasks, specifically, to ensure stability and order, while citizens recognized authority of their states and obliged to obey to their laws in exchange for these benefits. In is logic if at some point states will lose capacity to fulfill the tasks determined by citizens, they will disappear. However, according to realists, such development, at least in the near future, is veiy unlikely.

In fact realists consider the possibility of global governance in international affairs rather skeptically. Though they recognize progress in governance of global economy, and say that if the mechanism of global governance appears, it will happen in the economic sphere.

Nevertheless, contribution of transnational corporations towards achieving a greater order in the current international economic relations remain insufficient, and according to the school of realism, they do not succeed in overcoming of the primordial anarchical structure of the world. Indeed, they have failed to create supranational authorities, which would govern behavior of egocentric states. As R. Gilpin mentions, if an effective mechanism for global governance have not been created in the economic sphere, than it is impossible to speak about establishing order in other much more complicated spheres of world politics (Gilpin 2002).

According to realists there are three major functions of governance, which belong yet exclusively to states: 1) emission of national currency, 2) fiscal function and 3) providing of state and individual security. Here simultaneously comes the question to the common currency of the European Union (EU). Realists claim that the Euro is still the only example of delegating the authority to emit currency to supranational body, and the final result of this experiment is yet unknown. Moreover the EU will need greater political integration for ensuring sufficient stability of Euro.

For realists establishing of global governance faces three insurmountable problems:

the *“problem of authorities*realists insist that every government and every system of governance needs effective mechanism of control in order to prevent atrocities of power (Bull 1977);

the *“problem of peaceful transformation”*, every system of governance should have social, political and economic basis, changes in the structure of existing power relations will remain and that is why it is necessary to include in the system of global governance mechanisms for promoting “peaceful change” (Carr 1951);

the *“problem of the purpose for global governance”*: it is necessary to define clearly social, political and economic reasons, justifying global governance.

However, despite clearly moderate approach to the global governance, it would not be easy to say, that realists entirely deny this concept. Still their skeptical approach is apparent and explained by the school of political realism predominantly by the absence of prerequisites for 1) effective, 2) fair (or democratic) global governance and 3) ambiguous purpose of global governance today.

Liberal Internationalism

Liberal internationalism even in its title unites two rather different schools: liberalism and internationalism. The aim of liberalism is to define conditions for exercising political freedom and liberal government, while internationalism is connected with the idea of spreading transnational (or global) solidarity and international government. One school does not presuppose another. Thus, liberals advocate limited government, while internationalists support expansion of government authorities in international sphere.

Despite all apparent contradictions within the school, liberal internationalism, which emerged in the 19th century in the works of T. Penn, I. Kant, A. Smith, J. Bentham and J. Mill, and experienced its second birth after the end of the Cold War. Today the most respected representatives of this school are M. Doyle, M. Howard, R. Keohane, V. Huntley, D. Dwewy, D. Ikkenberry, J. Rosenau, T. Weiss, N. Woods and many others.

In its essence liberal internationalism is a kind of antipode of political realism, and not only in explanation of the global order, but also in the perspective on what it should be. Achieving of maximum freedom for a person is the major goal for liberal internationalism, but it is possible only in the absence of war and premises for it. And since conflicts and wars are inherent to the current system, where sovereign states seek ways for maximization of their

power, necessary conditions for exercise of human freedom could be achieved only under condition of governance or transcendence of power politics. This statement is reinforced by four major principles (McGrew 2002):

- 1) rational policy is an essential precondition for effective management of international relations;
- 2) international cooperation from deontological as well as from rational points of view is preferable in comparison with conflict: increasing material interdependence of states creates necessity for international regulation;
- 3) international organizations contribute to the advancement of peace and stability, pacifying more powerful states through creation of international norms and new rules of conduct for multilateral politics, they also have necessary mechanisms for prevention and management of interstate conflicts;
- 4) progress in world politics is possible only when principle of power politics will not be seen as essential precondition for maintaining interstate order: importance of this principle could be significantly diminished or entirely overcome through gradual reform or “domestication” of international relations (rule of law, universal human rights and so on).

All liberals believe in the power of human mind. Wars between states are explained by shortcomings of certain intragovernmental systems. This thesis is referred to authoritarian regimes with inherent centralization of power, secrecy, absence of civil society and so on (I. Kant, T. Penn, and J. Mill). Others blame mercantile economic system, which facilitated wars with economic profit as primary goal (A. Smith, R. Cobden). Therefore classics of liberalism conclude (and this is common for both approaches): to contribute to the prevention of wars, it is necessary to reorganize states themselves and not international community of states as a whole. For example, I. Kant considered that if governments would be subjected to the will of public opinion, than it would be possible to avoid wars, given that people would hardly support unleashing of war. However though the emphasis was made on reforms within states, Kant and Bentham mentioned importance of international law, establishing “cosmopolitan law”, directed towards ensuring peace through definition of rights and obligations of citizens and states within “confederation of states”, where power politics is denied by participating states. Many scholars defined this concept of I. Kant as precursor of current systems of collective security. As far as the growing interdependence of states will emerge, democracy will strengthen as well as peace and stability will be achieved in practice,

other states, according to Kant, will also subscribe to this value, which will lead to the “eternal peace”. Nevertheless, regarding maintaining global order, another representative of liberalism J. Bentham does not consider establishing of global government or even strong international institutions as mandatory condition. On the opposite he insists, that there should be as less global government as possible (Hinsley 1967).

However since the times of Bentham, arguments on liberal internationalist vision of global governance continued to develop. Between the two World Wars the attitude to the intervention in the domestic affairs (“state intervention”) as acceptable course of action was revised. Due to the success of international organisations, created in the 19th century (International Telegraph Union and Universal Postal Union), a new school of liberalism supported creation a new form of international governance in order “to enforce peace” by delegating competencies to the specific body. Several remarkable proposals regarding the structure of this universal international body include:

- a) creation of a global federation or confederation, which presuppose existence of world government with supranational authorities;
- b) creation of the decentralized and pluralistic system of international governance in accordance with the functionalism theory;
- c) creation of a system for a broader international cooperation and collective security (as League of Nations).

Obviously, the first two of these three concepts of global governance were impractical (at least in their pure form) because of apparent contradictions that have existed (and continue to exist) between states (and other actors in world politics). To reach an agreement of all to unite in a general confederation, and especially to create a mature democratic decentralized system of global governance at that stage (and today as well) was unreal, which was vividly demonstrated in subsequent years.

The third proposal was more realistic. Woodrow Wilson, an ideologue of the liberalism of the first half of 20th century and an adept of this idea, believed that a just world order was possible under two conditions: 1) spread of democracy and 2) establishment of a democratic system of collective security by establishment of the League of Nations as the first experiment in contemporary global governance. The main goal of the organisation was to resolve all conflict situations through dialogue, without resorting to force and under the principle of states equality. The League of Nations included elements of the “Confederation of Republican States” proposed by Kant and of the “Common

Court of Abjudication” proposed by Bentham to settle disputes between states.

Although the first experiment in the history of global governance, led by the League of Nations failed, liberal internationalism has not gone forever, and the architects of post-war world order did not lose faith in the feasibility of the global governance. It is interesting to mention a statement of Anthony McGrew that the establishment of the UN and its specialized agencies, including institutions of the Bretton-Woods system, reflected the desire of the United States as a liberal hegemony, to establish a liberal world order in which democracy and capitalism would flourish. Ironically, though this thesis undermined the basic principles of liberal internationalist school, because it virtually confirms the well-known realist argument that international governance at best can only exist with the approval of the dominant state, and at worst it would have been just a tool to promote its interests (McGrew 2002).

As it was mentioned earlier, the end of 20th century with the end of the Cold War, the third wave of democratization and the increasing pace of globalization was a real «gift» for liberal internationalists. The logic of international cooperation was revised. The current stage in development of the theoretical school under consideration is characterized by four major trends:

1. Liberal institutionalism. While recognizing that the United States as the hegemony of the modern world could promote international cooperation, Robert Keohane, a representative of this group, however, does not agree that the process of multilateral cooperation ongoing throughout the post-war period (and accelerated after the end of the Cold War) could be explained solely by the American influence. The real cause of international cooperation, he believes, rests in conflict, as if, there was harmony in international relations, no cooperation would be necessary. And international organisations, according to the liberal institutionalism, does not shatter the power of the states, but rather give them more power as participation in international organizations is advantageous, primarily for the states themselves (Keohane 1984).

2. Structural liberalism. The cause of multilateral cooperation in the postwar period is a liberal nature of the U.S. hegemony in world politics. Due to America, the current system of global governance is seen by this group as liberal. Thus there are prerequisites for achievement of a more stable world by increasing the number of democratic states.

3. Liberal reformism. The main objective of world politics is to address the major shortcomings in the existing system of global governance (domination of the strongest states in shaping of international institutions, “democracy

deficit”, lack of control over the process of shaping public opinion, etc.) (UNDP... 1999) and create the necessary conditions for creating more effective and legitimate global governance, namely, to ensure the democratic character of governance at all levels through the use of a valid law enforcement at national level and within “our entire global neighbourhood” (Commission on Global Governance... 1995).

4. *Liberal cosmopolitanism.* The main task is to ensure justice in global governance, which in its present form seems unfair, since it reinforces existing global inequities, and, consequently, global injustice, so there is a need in redistribution from rich to poor countries (Caney 2001).

Thus the school of liberal internationalism is quite fragmented, and represents, according to Mason, “imaginary intellectual unity in the present theoretical pluralism” (Mason 2000).

Nevertheless, this does not mean that this theory is facing an imminent crisis. Of course, there are contradictions. First, over the question whether the state could be considered as a barrier for the creation of a genuine liberal world order, or regarded as one of the constituent elements of such an order (Francheset 2001). Second, there is no unity in regards to the question, whether economic and political spheres should be combined or separated in the new system of liberal global order. Besides, there are even more profound contradictions over the actors in whose interests the global governance would be carried out and which goals it would pursue. And finally, there is a long-time ongoing debate within the liberal political theory on the optimal form of global governance: whether it should demonstrate maximum participation, or, just the contrary, represent a policy of “minimum control”.

It is difficult to overestimate the contribution of liberal internationalism to the theoretical understanding of the changing world. However for its ideological content and excessive modeling (and theorizing) liberal internationalism is criticized extensively, especially by representatives of the school of political realism and Marxism. It is accused at distorting data on real sources of power in world politics and even hypocrisy about possibility of democratic global governance.

Nevertheless, liberal internationalism remains an influential trend of political thought and, perhaps, the major school in studying of global governance. One should not underestimate its obvious advantages. This school was the first seriously considered the idea of conducting policy and management beyond the state, and provided in-depth analysis of the nature, form, logic and

shortcomings of contemporary global governance and the possibility of a genuine global governance.

At the same time, two serious drawbacks are obvious: a clear dissociation of the explanatory and normative aspects, as well as the inherent contradiction between ethical radicalism and institutional conservatism, or even agnosticism, keeping in mind treatment of its theory as the best institutional framework for the study of international politics (Beitz 1999).

To conclude: liberal internationalism today faces two main tasks: to reconcile the explanatory framework with a fairly radical ethical framework and to a degree to harmonize all existing trends, in a single structure.

Still most theories of European Integration draw on the liberal instrumentalist platform. It provided foundation for the functional paradigm in integration and global governance processes. Hence, the study presented in the subsequent chapters adopts a functional approach to the analysis of the EU contribution towards global governance and creating global public good within the G8 agenda.

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Chapter 5

Methodology for Study of the EU as a Global Transformative Power

***Marina Larionova* Research Objectives**

The research aimed to study EU as a global player. This included the instruments the EU relies on to express its priorities and achieve its objectives, EU methods to engage international partners, European ways to creating global public good through partnerships and multilateral institutions. The analysis focused especially on the EU's evolving role in the G7/G8 over the last ten years reflecting its growth as soft power and the EU expanding community competencies and legal authority.

The timeframe of the analysis spanned the period from 1998 to 2008 to account for the most important developments following signing of the Treaty of Amsterdam in 1997, birth and development of the ESDP and ESS, enlargement of the EU enhancing its representative weight in the international institutions, further extension of the EU competencies; as well as changing international order, and not least of all the start of the G8 in 1998.

It has to be noted that though the study focuses on the recent decade whereas the Amsterdam Treaty provisions on the CFSP entered into force in 1999 reinforcing the legal and institutional foundations of the MS political and security cooperation, the research could not ignore the historical role of the EC — EU in the G7/G8.

The EC/EU commitment to effective multilateralism has been a vital feature of the Community since early 1970s. It sought and secured membership of the G7 in 1977. Since then the EU role in the economic summitry has grown substantially. The G8, given its singular importance, a unique formula of EU participation in the summitry and its increasing prominence in the forum, provides “an excellent case study for the examination of the EC's increasingly defined presence in the international arena” (Hainsworth 1990). The EU role in the G8 has not been sufficiently explored. Though there have been several

seminal papers including Susan Hainsworth's "*Coming of Age: The European Community and The Economic Summit*" (1990) and "*G8 Governance*" by Heidi Ullrich and Alan Donnelly (1998) and other relevant papers (Bonvicini, Wessels 1984) addressing the EU ascending involvement and influence in summit negotiations and outcomes, they reflected on the period from the first years of the economic summits to the end of '80s and '90s respectively. However the recent decade has witnessed both global structural shifts and internal changes in the enlarged EU of now 27 member states, giving the EU more power, a much enhanced image and increased legitimacy. Thus this study aimed to explore the EU role in the G8 system, and reflects on the EU changing identity as a global player over these years.

Analytical Paradigm

The analytical paradigm adopted John Kirton's functional approach to assessment of the G7/G8 performance and its role in global governance. Using the functional approach the study attempted to highlight and measure the EU contribution towards the main governance objectives of: domestic political management, deliberation, direction setting, decision-making, delivery and global governance development.

The six functions notion was nuanced to reflect the special nature of the EU as a collective member of the G8, and to allow (1) to explore the extent to which the EU impacts shaping the G8 decisions contributing to deliberation, direction setting and decision-making; (2) assess (where / if possible) the degree to which the other actors comply with the commitments made looking at the delivery.

As *domestic political management* is not applicable to the case of the EU, the study focused on community political management looking into cases where G8 has been (made) instrumental in contributing to the EU policy objectives implementation.

Exploring *the deliberation* the analysis aimed to assess the EU contribution to the debate of the priorities and forging shared understanding towards the issues value, logic, place on the agenda etc.

Similarly, for the function of *direction setting* the study gathered data on if, how and to what degree the EU as a collective member possessed the capacity to project its core priorities to shape the G8 priorities, normative statements and values-based targets.

Decision-making analysis focused on the EU contribution towards crafting commitments¹ (Kokotsis 1999) made in the summits.

The study of the **delivery** had the dual foci of assessing the EU compliance with the G8 commitments, and the other G8 members' compliance with selected commitments initiated by the EU and/or constituting priorities for the EU policies. The latter proved to be much more elusive.

To achieve the above aims the project team built **a documented evidence base** of the EU changing role in the G8 system of institutions over the recent decade whereas the EU is sharing with the G8 nations responsibility for global security and well-being acting as a global power.

The data base used in the systemic review included several sets of materials:

1. **G7/G8** summits documents, including ministerial meetings statements; political directors' statements; working groups and task forces reports etc. over the period from 1998 to 2008 and analytical papers on the G7/G8 in global governance.

Statements with the Outreach members formed an integral part of the documents set. This included inter alia documents of the Heiligendamm and Hokkaido summits:

Press conferences of the leaders were included into the survey under a separate heading of "other materials". Though they do not represent collective views and are not official documents they were assumed to be especially pronounced on the individual positions and may highlight the EU collective position in statements made by the EU Presidency, EC President or Commissioners.

2. Documentation and data pertaining to the **EU institutions** (foremost, the European Council, the Council Presidency, High Representative for the CFSP, European Commission) involvement in the G7/G8; legal texts and analytical papers on the EU in the world.

The analysis was not focus exclusively on the European Council documents, and also included, but was not be limited to, the following Council configurations:

- General Affairs and External Relations
- Economic and Financial Affairs, European Central Bank

¹ Commitments are defined as discrete, specific, publicly expressed, collectively agreed to statements of intent; a "promise" or "undertaking" by Summit members that they will undertake future action to move toward, meet or adjust to an identified welfare target. See (Kokotsis 1999).

- Transport, Telecommunications and Energy where relevant
- Environment

Documents referred to in the Presidency Conclusions and attached to them as annexes also constituted the part of the analysis.

Issues of Common Foreign and Security Policy were subject of special attention though the essential authority for the CFSP remains with the member states unlike in the issues of Economy, Finance, External Trade and Development. Whereas CFSP issues were concerned the documents included, but were not limited to, those of the:

- European Council

EU Foreign Ministers and the Commission External Relations Commissioner meeting as the General Affairs Council

- Presidency of the Council
- High Representative for the CFSP

The issues of External Relations and CFSP, development, trade form essential part of the EU relations with the third countries and agenda of the respective EU — third countries summits. Outcomes of such summits and relevant documents reflecting on the issues common to the G7/G8 summitry agenda also constituted part of the analysis. However, to ensure that the scope of the analysis and database remained manageable it included only the EU — G8 member states summits (the USA, Canada, Japan, Russia), and EU — Outreach 5 from Gleneagles onwards, as 2005 marked a milestone of the 05 leaders consistent presence in the G8 dialogue. In particular, emergence of the G5 from the Heiligendamm dialog into the Hokkaido summit.

Special reference should be made of the analysis and data presented in a systemic way in the seminal book of Fiona Hayes-Renshaw and Helen Wallace *“The Council of Ministers”* (Hayes-Renshaw, Wallace 2006). It was especially useful for checking the EU priorities identified in the course of the data collection with Appendix 6 of the book indicating the European Council meetings significance and topics.

In the process of selecting the EU priorities attention was focused on those issues which bore international and global character, and EU internal issues with foreign policy implications, rather than issues of relevance to the EU internal priorities.

The EU is considered to be especially influential in crafting consensus and commitments. There is also data indicating that the EU compliance with the G8 commitments is systemically high. However, a lot of data is missing, thus reliable evidence base was needed to clarify whether the EU does make a

difference on performance (delivery) of the G8. This required collecting and analyzing the data on the EU compliance with the G7/G8 commitments, and making a comparative analysis of the EU compliance with the G8 member states.

The data used for compliance performance assessment include:

- The data available from the reports of the G8 Research Group of the University of Toronto².
- Direct evidence where available from the interim, follow-up, and other reports on the G8 commitments implementation by the G8 system experts groups, Personal Representatives for Africa, Task Forces.
- Indirect evidence on the EU compliance with the G8 commitments adopted into the EU programmes and agendas, and reported in the follow-up documents of the EU. These included the Communications from the Commission, reports from the member states, reports of and for the EU Presidency, the EU CFSP reports etc.
- Indirect evidence from the OECD reports, such as the ODA reports of the OECD DAC.
- Comparative evaluations of performance of the G7/G8 nations and the EU in the summits.

The data also incorporated where available the evaluations of the summits performance of the G7/G8 nations and the EU carried out by Sir Nicholas Bayne of the London School of Economics and Dr. John Kirton of the University of Toronto.

The quantitative and qualitative analysis of the documented evidence base focused on the issues and statements common to the G7/G8 and the EU priorities, values, decisions, commitments and actions.

In reviewing the *evidence base* due consideration was given to the inter-governmental versus community nature of the issues on the table. The analysis necessarily accounted for the annual Presidencies' priorities and summit agendas of both the G8 and the EU (six and eighteen monthly perspectives have been considered where applicable).

In collecting and assessing the data due account the G8 performance assessment *methodology* designed by John Kirton, Ella Kokotsis and Jenilee Guebert (Annex 1) was taken into account whenever feasible to ensure consistency and coherency of the G8 performance assessment and analysis of the EU contribution towards the G8 functions implementation.

Consistency demanded that the same *indicators* were used where possible, though the objectives of the EU in the G8 study necessarily required that the indicators were fine tuned to reflect the nature of the data and respond to the specific needs of the research.

Not all indicators of the G8 performance methodology method were applicable to the EU role and contribution assessment, thus the following set of indicators was adopted for research.

Community political management

1. Communique recognition

Number of references to the EU and its institutions in the communiques (in a positive context that implicitly recognizes, verbally rewards and thus thanks them for their contribution, rather than records country-specific commitments they have made as part of a package deal).

The unit of analysis was a reference; if the EU was mentioned twice in one sentence, it was scored as one.

2. Reference to the G7/G8 in the Community documents

These included direct references to G7/G8 specific Summit or Summits and indirect references to the G7/G8 summit(s) where the summit was implied in the community policy documents/ statements / address (or other national policy addresses equivalent).

The unit of analysis was a reference; if the G7/G8 was referenced more than once in a sentence, it still received a score of 1.

Deliberation

1. Number of inclusions of the G7/G8 summit issues into the EU documents preceding the G7/G8 summits.

2. Number of similar statements recurred in the subsequent G7/G8 documents.

3. Correlation between the two sets of references (in percentage).

The unit of analysis was a reference; other units of analysis which emerged as useful were the number of symbols devoted to the institution (issue, priority, value, etc.) and the number of documents.

Direction Setting

1. References to core values and priorities in the EU documents preceding the G7/G8 summits. However the search was not restricted to the “democratic values”, as this would have been the limiting understanding of the EU

contribution to the other G7/G8 priorities. Other values included: open markets, investment, free trade; climate protection; development; peace; corruption or anti-corruption.

2. Number of similar statements recurred in the subsequent G7/G8 documents.

3. Correlation between the two sets of references (in percentage).

Decision-Making

1. Number of commitments. Number of commitments the G8 leaders make in the summit reflecting the EU leadership, interests, initiative. Its relative number to the overall number of the G8 leaders commitments made in the summit. The indicator proved to be very elusive for the analysis.

2. Money mobilized (remobilized). The amount of the EU pledge to the G7/G8 total in absolute figures and as percent of the total.

Delivery

1. Compliance scores for the EU in the G7/G8 final compliance report about twelve months after the summit commitments were made.

2. Other hard core evidence collected on the EU compliance with the G8 summit commitments not entered into the monitoring data.

Development of Global Governance

1. G7/G8 bodies created. This included the number of G8 bodies created by the G8 leaders at a summit. The unit of analysis was the number of bodies.

2. The number of bodies created at the EU initiative.

3. The degree of support rendered by the EU to the new bodies.

4. The number of new mandates / functions delegated by the G8 to the existing international institutions.

5. The number of mandates / functions delegated by the G8 to the existing international institutions at the EU initiative.

6. The number of mandates / functions delegated by the G8 to the EU among other institutions.

7. The degree of support rendered by the EU to the international institutions for implementation of the mandates.

It must be said that to date not all of the data collected has been analyzed to find out all the above indicators. This is a work in progress as a lot of other useful collected data which is still subject for the assessment.

The focus of the documents' content analysis implied that the documents would not necessarily render explicit evidence of the EU influence of and

contribution towards the G7/G8 performance. Simultaneously the data provided evidence of the G7/G8 — EU interdependence, mutual reinforcement, as well as G7/G8 being instrumental in making the EU an international actor. There is always a question of who is leading whom? And the response depends on the policy sphere as well as other factors. Thus careful analysis of the wording has been vital for building a valid evidence base, as well as the hard core knowledge of the EU/G8 process and history for valid interpretation of the data.

Given the importance of the leadership and summitry chemistry factors special attention was focused on the membership of the summits and ministerial meetings delegations.

Quantitative and qualitative content analysis of the collected documents for priorities, issues, values and actions common to the G7/G8 and the EU focused on:

- the numbers of common issues;
- the nature of their linkage;
- intensity and modality of the G8 — EU engagement in the context of the specific policy sphere/ issues/ agenda priority;
- their dependence on the policy sphere;
- their distribution over time;
- intensity of the EU — G8 engagement in the context of the EU participation formula in individual G8 summits;
- modality of the EU — G8 engagement in the context of the EU participation formula in individual G8 summits;
- the modes in which the EU priorities and objectives as set out in the EC Presidency Conclusions and other policy documents were reflected in the G8 decisions and documents;
- the references to Russia and the nature of those references, indicating the mode of engagement.
-

Contexts of Engagement with Russia

A set of related questions was put forward of whether and how the different contexts of the EU engagement with Russia impacted the substance and pattern of their “strategic partnership”.

The analysis aimed to compare four frameworks of the EU and Russia engagement on issues constituting priorities to both partners, setting agenda of both institutions (G8 and the EU, as well as the EU — Russian dialogue),

representing common concerns, though not necessarily shared understanding and approaches towards these matters. The implication was that different contexts of the EU engagement with Russia impacted on the substance and pattern of the “strategic partnership” development:

- Within the G8 setting, the EU — Russia mode of interaction was defined by common membership status albeit of a different nature. Thus common G8 rules/norms were supposed to be applied to their mode of engagement within the forum.

- The EU dialogue with Russia on these same issues and priorities was assumed to be defined by its “bilateral” nature, bound by a different system of rules and mechanisms and structured accordingly.

- The EU dealing with other members of the G8 on the matters with special relevance to the EU — Russia relations, for instance in the EU — USA, EU — Japan, EU — Canada summits, was assumed to represent another framework of engagement, with rules and norms respectively reflecting this context.

- The EU internal policy (decision) making on matters related to Russia (common to the agendas of the three settings above) was accepted to be guided by the CFSP and built in conformity with its norms and responsibilities.

Thus wherever qualitative content analysis of the collected documents yielded evidence of one of the above modes of engagement, it was structured to be compared and assess how / if the nature of the setting impacted the EU method and mechanisms of partnership building with Russia.

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Appendix 1

G8 Performance Methodology Model

Prepared by John Kirton and Jenilee Guebert for use in measurement of summit performance on site at summit and for subsequent analysis, September 4th 2008.

01 Domestic Political Management

1A Domestic Demonstrations

Include rock concerts and pro demonstrations on the positive side during or in the immediate lead-up to or after the summit. The unit of analysis should be the number of demonstrations/concerts. A demonstration is a single organized event. More than one group can participate in one demonstration. More than one demonstration can take place at one time. A concert is considered a single event. More than one band/act can perform at one concert. More than one concert may take place at a single time.

1B Communique Recognition

Number of references to individual members (countries) in the communiqués (in a positive context that implicitly recognizes, verbally rewards and thus thanks them for their contribution, rather than records country-specific commitments they have made as part of a package deal).

Excluded are references asking a country to do something, or G8 commitments by a country³. It also excludes introductory statements, such as “The Heads of State and Government of France, the Federal Republic of Germany, Italy, Japan, the United Kingdom of Great Britain and Northern Ireland, and the United States of America met in the Chateau de Rambouillet from 15th to 17th November 1975, and agreed to declare as follows,” or concluding statements such as “We have agreed to meet again next year and have accepted the invitation of the President of the French Republic to hold this meeting in France.” Excluded are references to agreements made in a G8 country, such as “In accordance with the principles agreed to in the Tokyo Declaration, they

³ Question from Peter Hajnal: «But what do you do when a collective document of the G8 details commitments by some, not all, G8 countries? The wording such as “those of us who agree” or “those of us who are parties to”. Example: “We will promote the uptake and use of such technologies including renewables, cleaner and low-carbon technologies, and, for those of us interested, nuclear power” (Paragraph 8 of the Leaders’ Declaration on Energy Security and Climate Change)”.

should aim at achieving substantial tariff cuts, even eliminating tariffs in some areas, at significantly expanding agricultural trade and at reducing non-tariff measures”. Excluded are references to past summits in G8 countries. Excluded are neutral statements such as “We will undertake to consult to improve the present system of controls on trade in strategic goods and related technology with the USSR”.

The unit of analysis is the sentence. Therefore, if one country is mentioned twice in one sentence, it is scored a 1. However, if three different countries are mentioned in one sentence then each country should receive a score of 1.

An example from 2008: Against this background, an international initiative proposed by Japan on 3S-based nuclear energy infrastructure will be launched (Japan would score a 1).

1C Public Opinion Approval

Public opinion approval includes polling data for the first poll available before and after the G8 summit for the year in question. Polls that overlap with any days of the summit are not included. For example for the 2007 summit which took place from June 6-8, no polls that overlap with the 6, 7 or 8th of June should be included. Therefore the “before” poll for that year must have ended on the 5th of June or earlier and the “after” poll can not have started until the 9th of June. If two polls are available that start on the same day but end at different days, or start on different days but end on the same day, include the poll with days closest to the summit for the year in question. For example if for 2007 one poll runs from June 1-5 and another runs from June 2-5, use the June 2-5 poll. If however for 2007 one poll runs from June 10—14 and another runs from June 10-13, use the June 10—13 — this way you are using data closest to the summit. If two or more polls were conducted over the exact same period then use the average of the two polls (assuming that they are closest to the summit dates).

The questions wording should be similar to the following: “Do you approve or disapprove with the way (name of the leader) is doing?” For older data, the question: “Do you approve of the way (name of leader) is doing?” will suffice. Always include “approval” data (not disapproval).

An example is as follows presented in Table 5.1.

ID National Policy Address References

Includes direct references to the G7/G8 specific summit or summits and indirect references to the G7/G8 summit(s) where the summit is implied of each

Year	USA		
	Before	After	Difference
1975	47	45	-2
1976	72	63	-9
1977	43	40	-3
1978	29	32	3
1979	32	31	-1
1980	58	60	2
1981	44	41	-3

G8 country national policy address (or equivalent). Direct and indirect references should be separated or indicated in a way that is clear. All national policy addresses that take place between two consecutive summits should be included. The unit of analysis is the sentence. Therefore if the G7/G8 is referenced more than once in a sentence it still receives a score of 1. Issue areas may also be identified. Areas such as economics, climate change, health, trade, general, etc. could all be included.

IE Electoral Results

For the leader and his/her party. This should be represented as a fraction or percentage. For example, for the leader, it can be represented that they received X% of the overall vote. For parties in power it can be represented that they hold X/Y(total) seats. Upper and lower houses should be indicated in a separate way (where applicable), with notes indicating the type of electoral system and political system (parliamentary/presidential) where necessary. The numbers represented should be reflective of the first date before the start of the summit for the year in question. For example, for the 2007 summit that was held June 6-8, the numbers represented should come from June 5.

02 Deliberation

2A Words

Includes the total number of words in the documents released at the summit by the G8 leaders, including declarations and/or statements released by the leaders as well as the chair's summary. The unit of analysis is the word.

It should include titles. It should exclude Appendices, Action Plans, Annexes, Reports, Ministerial Statements and other such documents.

2B Paragraphs

Includes the total number of paragraphs in the documents released at the summit by the G8 leaders, including declarations and/or statements released by the leaders as well as the chair's summary. The unit of analysis is the paragraph. It should exclude Appendices, Action Plans, Annexes, Reports, Ministerial Statements and other such documents.

2C Statements/Documents

Includes the total number of statements/documents released at the summit by the G8 leaders, including the chair's summary. The unit of analysis is the document. It should exclude Appendices, Action Plans, Annexes, Reports, Ministerial Statements and other such documents. A document should be considered as a whole and not in parts, even if it is released in parts. See example 2 for how to distinguish this.

An example 1 is as follows presented in Table 5.2:

Table A5.2

1997	12,994	141	4
1998	6,092	57	5
1999	10,019	111	4
2000	13,596	145	5
2001	6,214	77	7
2002	11,959	114	7
2003	16,889	78	6
2004	38,517	99	12
2005	22,286	177	13
2006	30,695	224	13
2007	25,857	248	8
2008	16,842	137	6

An example 2 is as follows presented in Table 5.3:

	Words	Paragraphs	Statements
Declaration of leaders meeting of major economies on energy security and climate change	1,558	12	1
World Economy	2,107	21	1a
Environment and Climate Change	2,622	18	1b
Development and Africa	3,211	16	1c
G8 Leaders Statement on Global Food Security	1,355	10	1
G8 Leaders Statement on Counter-Terrorism	722	9	1
G8 Leaders Statement on Zimbabwe	324	6	1
International Institutions	397	1	1d
Political Issues	1,576	15	1c
Chair's summary	2,970	29	1
Total	16,842	137	6*

* Statements marked with a lower case letter are continuations of the same document released separately at the summit.

1 Direction Setting

Includes references to core democratic values. “Democratic values” are defined as statements of fact, causation and rectitude relating directly to open democracy and individual liberty (but not to social advance), with openness, democracy and individual liberty understood exclusively in political and civil contexts rather than economic ones, and consistent with the seminal normative structure of the G8 summit as articulated in the communiqués of the first few summits. These democratic principles are consistent with those identified in the United Nations International Covenant on Civil and Political Rights and Dr. Robert Dahl’s definition. The unit of analysis is the sentence. The following list of inclusions and exclusions can help to identify the list of democratic principles present in the G8 Leaders’ statements and/or documents: ***Inclusions***’. the promotion and/or acknowledgement of an individuals’ right to self-determination (freely determine their own status — political, social, religious, etc.); the promotion and/or acknowledgement of constitutional principles, such as separation of church and state; access to the legal rights/courts, independent judiciary; all individuals are given equal consideration; the values of openness and tolerance; rule of law; the promotion and/or acknowledgement of “good” governance; freedom of the media, speech, association;

free and fair elections, competitive multiparty system. **Exclusions:** open markets, trade, investment, free trade; good corporate governance (economic advance); good water governance (social advance); property rights; social advance, such as access to health care; peace; corruption or anti-corruption.

2 Decision-making

4A Number of Commitments

Includes counting the overall number of commitments the G8 leaders make for the year in question. Commitments are defined as a discrete, specific, publicly expressed, collectively agreed to statements of intent; a “promise” or “undertaking” by Summit members that they will undertake future action to move toward, meet or adjust to an identified welfare target (Kokotsis 1999). There are several key criteria contained in this definition. First, commitments must be discrete, in that each specified target represents a separate commitment, even if a single set of actions supports these multiple aims. A sequence of specified measures through which these targets are to be achieved, however, do not represent separate commitments, but a single commitment, defined by the given target. For example, many statements in the Summit’s documents specify both a policy instrument and a corresponding welfare target. For example, the following statement consists of two separate policy instruments and one welfare target: “We pledge to reduce our dependence on imported energy (welfare target) through conservation (policy instrument #1) and the development of alternative energy sources (policy instrument #2)”. This statement classifies as one discrete commitment because it contains only one welfare target. It is not necessary to extract a policy instrument and a corresponding welfare target in every case. Many welfare targets do not specify a policy instrument, and many policy instruments do not specify a welfare target. Quite often they are simply implied or inferred. For instance: “We pledge not to increase our greenhouse gas emissions this year”. One can infer that the reason for making this commitment is to reduce global warming or improve the environment in some way. However, a commitment can only exist if it is specified in the communique. It is not appropriate to create a commitment simply on the basis that it is implicit due to the existence of a corresponding policy instrument or welfare target. The discreteness test is important in determining how many commitments fall under one statement. The question the coder must ask him/herself when determining if two statements should be classified as one or two commitments is: “Would I use different

data to determine compliance for the two statements?" If the answer is yes, then they represent two separate commitments. If the answer is no, then they represent a single commitment. The statement to follow, for example, is split into three parts (e.g. "New Efforts in World Trade", "New Efforts in Monetary Matters", "New Efforts in Exploiting Raw Materials"), and therefore assessed as three commitments. "We also concentrated on the need for new efforts in the areas of world trade, monetary matters and raw materials, including energy." Second, commitments must be sufficiently *specific* and the target needs to be both identifiable and measurable. Targets can include changes in members' behaviour, in the behaviour of other countries or classes, in international organizations or private actors, or in general conditions. General statements of aspiration are excluded, while statements with specified parameters are included. When assessing the Summit's communiques and declarations, the following points are helpful in determining how to identify measurable commitments:

Commitment =

"...call on..."
 "...agree..."
 "...pledge..."
 "...seek..."
 "...reaffirm commitment..."
 "...urge..."
 "...create..."
 "...ought to/should..."
 "...insist on..."
 "...must renew..."
 "...united in determination..."
 "...should stand ready to..."
 "...need to address..."
 "...express confidence in..."
 "...support..."

No Commitment =

"...welcome..."
 "...encourage..."
 "...reflected upon..."
 "...discussed..."
 "...are aware..."
 "...look forward to..."
 "...emphasize..."
 "...recognize importance..."
 "...we gave particular emphasis to..."
 "...promote..."

A statement that uses the term "pledge" or "commit" is not a commitment if it is not measurable to the extent that the "measurability rule" is satisfied. It is important to note that it is not always necessary for a commitment to be numerically or quantitatively measurable (although quantitateness is generally sufficient to ensure the "measurability test" is satisfied). Non-quantitative statements such as the following should be classified as a commitment: "We look to an orderly and fruitful increase in our economic

relations with socialist countries as an important element in progress in detente". Many statements in the communique use the verb "should". "Our capacity to deal with short-term oil market problems *should* be improved, particularly through the holding of adequate levels of stocks". In real life, "should" does not always imply intent. When coding Summit documents, however, it is safe to assume that "should" does imply a commitment to do what is specified. Hence, "should" statements are classified as commitments if they meet the other appropriate criteria. The commitments must be future-oriented, rather than represent endorsements of previous action. However, pledges that "we will continue to..." are included, because they indicate a bound pattern for future action. They rest on an assumption that in the absence of Summit reaffirmation or re-articulation each year, they would normally expire (or be taken less seriously and dwindle). Excluded are actions or decisions in the past that the Summit members "welcome." While action by Summit members is assumed to be required in the future, this does not need to be specified. Verbal instructions to international institutions, issued at the time of the Summit in the passive — "The WTO should pay more attention to the environment" — are included as there is an assumption that Summit members will take action to move toward this result. There is also a specified actor target and welfare target. Excluded are statements that identify the agenda or priority of issues ("sustainable development is a critical concern", "this conference is a landmark one"), or even descriptions that contain logical language or that set parameters, ("debt relief helps promote democracy"). Finally, who is "we"? The G8 often state that international institutions or groups other than themselves should take a particular course of action. If it is understood to mean that the G8 countries will try to pressure for a course of action from within the institution they are part of, then this entails a commitment. If they are simply giving a suggestion to another country or institution to which they do not have sufficient influence over, then it should not be coded as a commitment.

Who is «we»? (code as a commitment)	Who is not «we»? (do not code as a commitment)
We should... The OECD should... NATO should... The World Bank/IMF should... The United Nations should...	They should... Other members of the OECD should... Africa should... Developing Countries should... All states should...

Example: This is a commitment:

“We strongly encourage closer cooperation between the IMF and World Bank”.

Example: This is not a commitment:

Trade plays a key role in development. We encourage the developing countries, especially the newly industrializing economies, to undertake increased commitments and obligations and a greater role in the GATT, commensurate with their importance in international trade and in the international adjustment process, as well as with their respective stages of development.

Note: If the G8 specifies a carrot and/or stick (e.g. structural adjustment as a condition of debt-restructuring) with which they will influence other countries, then this is typically sufficient to justify a commitment. E.g. “The industrialized economies will open up their markets as part of structural adjustment. Debt-relief will be provided on the basis of them doing so”.

The unit of analysis is the commitment. The number of commitments should be totaled for the year in question. Only commitments made at the summit by the leaders should be taken into consideration.

4B Money Mobilized (and remobilized)

Money mobilized and remobilized is the sum of dollars the G8 countries pledge at each summit. The “Re” refers additional funding that is to be applied to initiatives already made. Money mobilized therefore refers to “new” initiatives. The unit of analysis is the \$US. The total amount pledged should be used. The amounts can be broken down into issue area if so desired.

Example: 2008 Summary

ODA:	\$25 bn a year deployed	to Africa by 2010
\$60 bn to fight infectious diseases	\$1 bn Fast Track Initiative (FTI)	
	\$4 bn Aid for Trade	TOTAL ODA: \$90 bn
Food Security:	\$10 bn mobilized since	January 2008
Climate Change:	\$ 10bn for R&D	
	\$6 bn CTF and SCF	
Total Climate Change:	\$16 bn	
TOTAL FINANCIAL COMMITMENTS: \$116 bn		
\$60 bn to fight infectious diseases		

3 Delivery (Compliance)

5A Commitment Distribution

Includes the distribution of commitments by issue area. Issue areas include: macroeconomics, microeconomics, finance, trade, information and communication, good governance, Heiligendamm Process, energy, climate change, environment in general, forests, biodiversity, recycling, sustainable development, development, health, human rights, water, sanitation, education, food and agriculture, conflict prevention, institutional reform, nonproliferation, regional security, nuclear safety, crime, peace support, terrorism and any new categories added. The issue areas should be calculated by total number of commitments and by percentage of overall commitment. This is so that issue areas can be compared to past years to see if distribution is similar or varied.

Example: 2008 Commitment Distribution presented in Table 5.4:

Table A5.4. 2008 Commitment

Issue	Number of Commitments	% Commitments
Macroeconomics	7	2.36
Microeconomics	5	1.69
Finance	7	2.36
Trade	12	4.05
Information & Communication	4	1.35
Good governance	5	1.69
Heiligendamm Process	1	0.34
Energy	26	8.78
Climate Change	54	18.24
Environment	1	0.34
Forests	4	1.35
Biodiversity	2	0.68
Recycling	4	1.35
Sustainable Development	1	0.34
Development	27	9.12
Health	19	6.42

Issue	Number of Commitments	% Commitments
Human Rights	3	1.01
Water	6	2.03
Sanitation	1	0.34
Education	9	3.04
Food and Agriculture	27	9.12
Conflict Prevention	1	0.34
Institutional Reform	1	0.34
Nonproliferation	20	6.76
Regional Security	18	6.08
Nuclear Safety	3	1.01
Crime	5	1.69
Peace Support	11	3.72
Terrorism	12	4.05

Notes: For the Chair's Summary only new commitments are included. All reiterated commitments (from the other leaders documents) are excluded.

5B Compliance Catalysts

Compliance catalysts are words, phrases, or factors that are embedded in and guide a commitment. They provide instruction(s) on how to implement, proceed or comply with the commitment. There are a number of different compliance catalysts that can appear within a commitment, and at times, more than one catalyst will appear (Kirton 2006; Kirton et al. 2007). Compliance catalysts include the following types of catalysts: ***Priority Placement:*** When a commitment is placed in the chapeau, preface or is stated in the Chair's Summary it is considered priority placement; ***Past Reference (Summit)-.*** These refer to commitments that mention past summits or past promises. They are considered iterations. For example, just like at Evian, we stress... (from a more recent summit); ***Past Reference to a Ministerial:*** These refer to commitments that make reference ministerial meetings or documents. See above catalyst; ***Target:*** When a commitment refers to a set goal, percentage or numerical allocation it is considered a target. For instance, we will reduce... or we will cut in half...; ***Time Tables:*** When a commitment refers to a set date, it is considered a time table. This can be short term (*Single-year timetable*) or long

term (*multi-year timetable*). Some may break down the commitment even further, over ten years for example, with intra shorter-term goals, say one year intervals; *Self-monitoring-*. These refer to commitments that require monitoring by the G8 countries. For example, we will continue to monitor...; *Remit mandates-*. These include commitments that refer to future assessment, most often at a future summit; *Money mobilized*: When a commitment refers to funds or a set dollar value it is considered money mobilized. For instance, we commit to replenishing..., or we commit to double aid for...; *Specified Agents*: When a commitment refers to a specified agent through which it will work with or through it is considered to be involving an agent. Example: with developing countries; *G8-body*: an agent that was created by the G8 to deal with particular issue areas. Example: Gleneagles dialogue; *G8 Ministerial*: When a commitment refers to a ministerial meeting; *Core International Institution/Organization'*, an agent that was not created by the G8, but works with the G7/G8 and deals with the particular issue in the commitment. For example, in the area of health, this would include the World Health Organization (WHO); *Other International Institution/Organization*: an agent that was not created by the G8, but works with the G8 on particular issues and is not the core institution that usually deals with the particular issue in the commitment. For example, a health commitment that involves the World Bank; *Legal Instruments*: When a commitment states that it will work through a legal instrument, the International Criminal Court (ICC) for example, it is considered a legal instrument; *International Law*: International Law includes both general references to international law and references to specific legal instruments (Kyoto, for example). Only codified law, not customary law, is included since it is neither specific nor binding within the international setting (the content of the codified instrument has international agreements that take clear precedence over national discretion). Example of this catalyst includes the following: Charters, Conventions, Treaties, Protocols, Declarations, Agreements, Frameworks, Guidelines, Internationally Recognized Principles or Standards. Also included are the Millennium Development Goals and calls for the implementation or development of specific international legal instruments. A commitment can include several or no catalysts and commitments that contain none should be coded as such because that too has a possible affect on compliance with the commitment.

Several catalysts have proven to affect compliance in research thus far: 1 Year timetable, Core International Organization, Priority Placement, Past Reference to a Ministerial and Other International Organization. These are

considered “catalysts that count” and can be singled out as commitments that have potential for success/failure depending on the catalyst.

Example: Partial 2008 analysis, Catalysts that Count, presented in Table 5.5.

Table A5.5. Partial 2008 analysis, Catalysts that

Document	Name	Total	1 Year Timetable	Core Int. Organization	Priority Placement	Past Reference Ministerial	Other Int. Organization
World Economy							
Global Growth							
2008-1	Growth	0					
2008-2	FSF recommendations	2			1		1
2008-3	FSF recommendations	2				1	1
2008-4	Global imbalances	0					
2008-5	Exchange Rates	0					
2008-6	Growth	1			1		
2008-7	Globalization	0					
2008-8	IO Cooperation	2		1			1
Trade and Investment		0					
2008-9	Protectionist pressures	1			1		
2008-10	Ag and Services	2		1	1		
Etc....							
Overall TOTAL		162	14	29	62	4	53

5C Interim Compliance

This includes compliance scores for the G8 countries approximately six months after the summit has ended, when the host/chair of the summit changes. Compliance scores are calculated by the G8RG at the University of Toronto and the Higher School of Economics in Moscow.

Example: 2007 Interim Score for Heiligendamm Commitments presented in Table 5.6.

	Commitment	CDA	FRA	GER	ITA	JAP	RUS	UK	US	EU	AVE
1	Intellectual Property Protection	-1	0	0	1	0	0	0	1	1	0.22
2	Fighting Climate Change	1	1	1	1	1	1	1	1	1	1.00
3	Energy: Technology	0	0	0	0	0	0	0	1	0	0.22
4	Energy: Efficiency	0	1	1	1	1	0	1	1	1	0.78
5	Energy: Diversification	0	1	1	1	1	0	5	5	0	0.67
6	Raw Materials	0	0	0	0	0	1	0	0	1	0.22
7	Corruption	1	0	0	0	-1	0	1	1	0	0.22
8	Heiligendamm Process	0	1	1	0	0	0	0	0	0	0.22
9	Africa: Debt Relief	0	0	1	0	-1	0	1	1	0	0.22
10	Africa: ODA	1	-1	1	0	0	1	1	1	0	0.44
11	Africa: Financial Markets	0	-1	1	-1	-1	-1	1	1	1	0.44
12	Africa: Education	-1	0	0	0	-1	0	1	1	1	0.11
13	Africa: Peace and Security	0	1	0	0	0	0	0	0	0	0.11
14	Africa: Global Fund	0	1	1	0	0	0	1	1	0	0.44
15	Africa: Sex & Reproductive Education	1	0	0	-1	0	-1	1	1	1	0.42
16	Africa: Health Systems	1	0	1	0	0	1	1	1	0	0.56
17	Non-proliferation: Fissile Materiel	0	-1	0	0	0	-1	0	0	0	-0.22
18	Non-proliferation: Hague Code	-1	0	0	0	0	1	0	0	0	0
19	Regional Security: Darfur	1	1	1	0	1	0	1	1	1	0.78
20	Counter-Terrorism: Transport Security	0	0	0	0	0	1	0	1	0	0.22
21	Counter-Terrorism: FATF	1	1	0	1	0	0	1	1	1	0.67
22	Trade	1	-1	0	0	1	0	1	1	0	0.33
23	Global Partnership	0	0	1	0	-1	1	0	1	0	0.22
	2007 Interim Compliance Average	0.22	0.17	0.48	0.13	0.04	0.17	0.61	0.78	0.39	0.33

This includes compliance scores for the G8 countries approximately twelve months after the summit has ended, before the next summit takes place. Compliance scores are calculated by the G8RG at the University of Toronto and the Higher School of Economics in Moscow.

Example: 2007 Final Scores for Heiligendamm Commitments presented in Table 5.7.

Table A5.7.2007 Final Scores for Heiligendamm Commitments

	Commitment	CDA	FRA	GER	ITA	JAP	RUS	UK	us	EU	AVE
1	Intellectual Property Protection	0	0	0	1	1	0	0	1	1	0.44
2	Fighting Climate Change	1	1	1	1	1	1	1	1	1	1.00
3	Energy: Technology	1	0	0	0	1	0	1	1	0	0.44
4	Energy: Efficiency	1	1	1	1	1	0	1	1	1	0.89
5	Energy: Diversification	0	1	1	1	1	1	1	1	0	0.78
6	Raw Materials	0	0	0	0	0	0	0		1	0.11
7	Corruption	1	1	0	0	-1	0	1	1	0	0.33
8	Heiligendamm Process	1	1	1	1	1	1	1	1	1	1.00
9	Africa: Debt Relief	1	0	1	0	-1	0	1	1	0	0.33
10	Africa: ODA	1	-1	1	0	0	1	1	1	0	0.44
11	Africa: Financial Markets	0	1	1	-1	0	-1	1	1	1	0.33
12	Africa: Education	0	1	0	0	0	0	1	1	1	0.44
13	Africa: Peace and Security	1	1	1	0	0	0	0	1	0	0.44
14	Africa: Global Fund	1	1	1	0	1	0	1	1	0	0.67
15	Africa: Sex & Reproductive Education	1	1	0	-1	0	-1	1	1	1	0.33
16	Africa: Health Systems	1	1	1	0	0	1	1	1	0	0.67
17	Non-proliferation: Fissile Materiel	0	0	1	0	1	-1	0		0	0.11
18	Non-proliferation: Hague Code	1	1	0	0	1	1	0	1	0	0.56

	Commitment	CD A	FRA	GER	ITA	JAP	RUS	UK	US	EU	AVE
19	Regional Security: Darfur	1	1	1	0	1	0	1	1	1	0.78
20	Counter-Terrorism: Transport Security	0	0	0	0	0	1	0	1	0	0.22
21	Counter-Terrorism: FATF	1	1	0	1	0	1	1	1	1	0.78
22	Trade	1	0	0	0	1	0	1	1)	0.56
23	Global Partnership	0	0	1	0	-1	1	0	1	0	0.22
	2007 Final Compliance Average	0.65	0.57	0.57	0.17	0.30	0.30	0.70	0.91	0.48	0.52

06 Development of Global Governance

6A G7/G8 Bodies Created

Includes the number of G8 bodies created by the G8 leaders at a summit. The unit of analysis is the number of bodies.

Example: 2008 Official Bodies Created (4):

- G8 Experts Group to monitor implementation on food security
- Climate Investment Funds (CIF; CTF; SCF)
- Energy Forum
- Global Remittances Working Group

PART II

KEY PLAYERS

Chapter 6

The G7/G8 System

John J. Kirton Introduction

An assessment of the G8's relevance to, and relationship with, the EU requires a careful charting of the G8 system's development as an international institution since its 1975 start, in the context of the many recent moves toward and proposals for often far reaching G8 reform.

Such calls are currently driven by an emerging consensus that the G8 is rapidly losing its relevance in a world, where power is shifting to the many emerging economies outside the established club (Ikenbeny 2008; Payne 2008; Fues 2007). The central claim is that the G8 as a centre of global governance is declining in effectiveness, responsiveness, representativeness and legitimacy largely because it no longer commands the globally predominant capability it once did. The primary prescription is that the G8 must reach out to include as full members the rapidly rising powers of China, India, Brazil, Mexico, South Africa, and perhaps others or soon be replaced by broader bodies such as a G20 finance ministers' forum now elevated to a summit level club (Cooper, Jackson 2007; Lesage 2007; Martin 2006; Gnath 2007). Countering this consensus stand the G8 governors themselves, who have largely resisted this analysis and advice. But in the scholarly world, defenders of the current G8 configuration and the global governance status quo are very few indeed (Uda 2008; Payne 2008).

Reform proposals, such as the G8's need for a secretariat and council of ministers, are at times borrowed with little thought from very different institutions, including as the regional semi-supranational EU or deduced from liberal

institutionalists' assumptions that more legalized formality is a good thing (Ikenberry 1993; Abbott et al. 2000). Rarely they are accompanied by any detailed analysis showing that the proposed changes — often already instituted in some form during the G8's three and a half decade life — would credibly cause the enhanced performance that the advocate seeks. This is despite the wealth of serious scholarly works now available on how well, how and why the G8 actually works (Putnam, Bayne 1984, 1987; Bayne 2000, 2005; Dobson 2004, 2006; Baker 2006; Bailin 2005; Hajnal 2007b; Bergsten, Henning 1996).

This chapter explores the G8's core character, mission, capabilities and governance, and assesses on this basis how changes in outreach, in-reach and down-reach have enhanced performance in the past and could in the years ahead. It finds that since its 1975 start, the G8 as a modern democratic concert has increasingly met its central goal of producing a global democratic revolution and providing domestic political management, deliberation, direction setting, decision-making, delivery and the development of a new generation of global governance for itself and the world. During this time the G8 has maintained its globally predominant capabilities, largely because it has broadened enormously in outreach, embracing Japan, Italy, Canada, an EU expanding to 27 states and a now rising Russia as full members, and a wide array of multilateral organizations and rising or regional powers as participants in its annual summit and institutions below. It has thickened its own structure through in-reach by developing a dozen ministerial and over 80 official-level institutions across many policy fields, if not yet ministerial forums for health, agriculture, industry, investment and defense. It has deepened civil society participation through down-reach to collectively involve at the G8 level the legislative speakers of its members, non-governmental organizations (NGOs), religious leaders, the media, youth and universities, but not yet parliamentarians, judiciaries, business and labour as a whole.

The G8 as a Democratic Concert

The G8 was consciously conceived and crafted as a global democratic concert by its leading visionary and architect, Henry Kissinger (Kissinger 1975, 1973). It was first recognized as such by British scholar William Wallace (1984), soon joined by others when the post-Cold War world dawned (Kirton 1989; Lewis 1991/1992; Odom 1995). It is now been accepted and applied by several leading international relations scholars and other analysts (Alexandroff

2008,2001; Fearon 2008; Rosecrance, Stein 2001; Stein 2001; Kibbe, Rosecrance, Stein 2001; Rasmussen 2001).

The core characteristics of a concert are well known (Elrod 1976; Bull 1977; Jervis 1985; Kupchan, Kupchan 1991, 1995; Held 1995). Concerts must include only and all major powers. Decisions on the key questions of war, peace, territorial adjustment and state creation must be made through consultation, conversation and consensus, rather than the unilateralism, balancing and bandwagoning that prevailed before the searing memory of Napoleon's revolutionary devastation brought the Concert of Europe to life in 1815. And great powers must not be humiliated, especially when their ultimate agents, their leaders, meet face to face, when the whole world looks on.

From the start, the G8 was a modern democratic concert (Kirton 1989, 1993). As the G8 itself explicitly stated at the start of its communique from its first summit in 1975, its central purpose, indeed its very *raison d'être*, was to protect within its own members and promote globally the values of "open democracy, individual liberty, and social advance". To be sure, among its founding and newer members there is a considerable divergence in their philosophy and practice of open democracy at home, starting with the great divide between presidential and parliamentary systems, the political party system and how often the party in power should and did change. Moreover, all members have been slow to approach the shared standard of democratic ideals, and some have suffered severe setbacks along the way. America, Britain and Canada, whose democratic journey dates from the Magna Carta, have been travelling toward the ideal for the better part of a millennium, and have suffered such traumas as slavery, civil war and strife, and the Watergate constitutional crisis along the way. Nonetheless, an open democracy is a sufficiently seminal, strong, shared standard that it is the second core criteria by which the G8's composition, performance and reform should be judged.

Concert and democracy form the foundation from which the subsequent and subordinate criteria of effectiveness, responsiveness, representativeness and legitimacy derive. Effectiveness refers to the capacity of the club to solve the problems at hand, ideally in the most efficient and desirable way. It can be charted across the six basic dimensions of global governance that most international institutions perform. The first is domestic political management, where G8 governors give their own and all citizens the confidence that open democratic societies can solve the many profound problems they face. The second is deliberation, where G8 governors meet face-to-face to foster

transparency, understanding, trust and the priority for particular problems that require solutions from global governors in a globalizing world. The third is direction setting, by defining on democratic foundation new principles of fact, causation and rectitude, and new norms for proscribing and prescribing what states and other actors should and should not do as a result (Krasner 1982). The fourth is decision-making, by collectively committing to specific, future-oriented actions, often replete with precision, obligation and delegation, to put these principles and norms into effect (Abbott et al. 2000). The fifth is delivering these commitments by having the members individually comply with what they have collectively committed to, and do so not only their converging expectations but in their observed behaviour as well. The sixth is developing global governance, by generating a new system of international institutions to meet the new needs of the global community in a rapidly globalizing age, and doing so by incremental improvement and prescient pro-action as well as through the “big bangs” that come only after destructive global wars (Ikenberry 2001).

Responsiveness deals with the fast-moving, flexibility of an institution in recognizing new problems and addressing them in a timely and well-tailored way. It also extends to proactively and preventatively taking them up before they break out in a big and much more costly form. To be sure, concerts — the ultimate form of collective great power governance — are inherently conservative, consultative, and slow moving creatures. The leaders of their member states as individuals can not be expected or asked to see and shape the future more clearly and wisely than anyone else (Bayne 1999). But because they have at their call the great capabilities of their states and societies, they can be expected and asked to spot and project critical trends before others do. And with their great global reach, responsibilities and roles, and their basic rule of collective decision-making with no surprises, they can be expected and asked to see, prevent and respond to crises sooner and better than other classes of countries, and kinds of international institutions do.

Representativeness is highly problematic, as the endless debate and impasse about reform of the United Nations Security Council Permanent Five (UNSC P5) attest. In virtually all cases, effective forums for global governance are created as self selected clubs of victor powers, with the great powers most responsible for the victory as the centre of the creation and cabal (Ikenberry 2001). Today’s UN was born in 1945, and its predecessor League of Nations in 1919, very much this way. For concerts, the relevant criterion of representativeness is whether all the great powers, victor and vanquished, are

included in the club. They were in 1815 and in the G8 in 1998, but not in the League and UN in 1919 or 1945.

The current tendency to define representativeness in geographic terms has little relevance for the G8 concert, especially in today's world. The G8 is composed of only and all of the world's major powers that, by definition, are those that affect, consider and have a sense of individual and collective responsibility for the entire world all the time (Bull 1977). In today's world of intensifying globalization, defined by the decline and death of distance, geographic or regional representation matters much less than it may once have in the brief interlude after the empires of Europe's great global powers faded away and before today's post Cold War globalization arrived. On the other dimensions of representativeness — race, religion, language, level of development and a broader array of “civilizational” criteria — the G8 has since its start possessed sufficient diversity within its existing members, and with their open societies and mobile diasporas as well (Huntington 1996). It is only on the gender dimension where, with only three women leaders ever coming to the summit, G8 leadership, if not their states and societies below, is egregiously flawed, although far less at this level than the UN, IMF or World Bank have been with their executive heads (Dobson 2008). Adding most of the favourite country candidates, apart from an India once led by Indira Gandhi, would do relatively more harm than good here.

Legitimacy is not primarily about “being there” to be seen, to watch or to speak. Every individual on the planet reserves the right in his or her professional or private life to have meetings that not everyone in some larger group or the entire world has a natural, human or socially constructed right to attend. In the political world of global governance, the UNSC P5 is a particular case in point. Such meetings are not illegitimate as a result. Nor does legitimacy arise only when some outside analysts' arbitrary and rather perfectionist concepts of procedure and performance are applied *ex post* (Sohn 2005).

Legitimacy, defined as a “right rule”, is seen in the voluntary participation, consent, deference or acquiescence of the governed, in the absence of coercion or intimidation by the governors. It has several dimensions. One is input legitimacy — whether the right number and set of views and actors are consulted, responded to or otherwise have their inputs fed in. A second is “throughput” legitimacy — how well and how fairly the right process deals with all relevant views in a respectful, equal and balanced way. The third is output legitimacy, or whether the right decisions are made to solve the problem in the interests of the club and the broader community of which it is a part. The fourth is

“withinput” legitimacy — whether the right values propel the governance system throughout. Here the G8, as a club devoted to open democracy, individual liberty and social advance, has a powerful, built-in legitimacy as a centre of global governance for a world where these values are increasingly cherished by many and shared by most. Indeed, by unanimously endorsing the principle of an international “responsibility to protect” at its World Summit in September 2005 all members of the UN have now abandoned their old constitutional charter principle of non-interference in the internal affairs of sovereign states to accept the core principle of the G8 since its start.

Finally, the field of global governance innovation and reform is one which has long attracted idealists (Held 2004, 1995). They sometimes operate with admirable normative inspiration but less practical restraint on what they calculate and propose. While such an approach is appropriate for some purposes, it is more useful to consider G8 reform in the real world with reference to how comparable centres of global governance, over several centuries, have operated and evolved, and the results of the innovations, reforms and architecture attempted and achieved there. For some purposes the G8 can be assessed against the other plurilateral summit institutions relevant to global governance, since they first arose with the British Empire-turned-Commonwealth about a century ago (Kirton 2008a; Dunn 1996). However since its 1975 emergence the G8’s lone competitor and thus comparator, as a centre of global governance, is the Bretton Woods-UN system born from war and victory in 1944-1945.

The G8’s Rising Relative Capabilities, 1975-2008

If the G8’s claim to be a centre of global governance rests ultimately on its members’ combined capabilities, it certainly does not need to add more members to maintain its global collective predominance in the face of any declining relative capability that its current permanent members possess. This is due above all to the progressive incorporation of Russia and an expanding EU. For a close look at relative capability, measured by the real world of, internationally transacted and relevant measure of GDP at market exchange rates, reveals that since its 1975 start, the G8 has remained constant or even slightly risen in the collective predominance it contains.

When today’s G8 was founded in 1975 with its seven members (United States, Japan, Germany, Britain, France, Italy and a Canada, promised a place by Henry Kissinger from the start), the Group commanded 69.01% of the world’s capabilities as measured by gross domestic product (GDP) in the

market exchange rates at the time (Appendix A). Today, in 2008, the G8's eight country members plus the EU with its 27 members, contains 72.55% of the world's capabilities. If the G8's origin at the summit level is dated back to the July 1975 lunch at the British Embassy in Helsinki of the "Berlin Dinner" big four of the US, Germany, Britain and France, the rise is even stronger. Since 1975 the G8 has kept pace with the rise of outside powers by adding as permanent members Canada, an ever expanding EU, East Germany as part of today's united Germany and the Russian Federation. During this time, the expanding policy competence and supranational features of the EU have increasingly brought it toward resembling a regular federal state (Appendix B) (Rugie 1993). More specialized concepts of capability confirm this conclusion (Morgenthau 1948; Fox 1944; Keohane, Nye 1976).

The G8's Rising Performance, 1975-2008

With these predominant capabilities, the G8 has put in a robust and rising performance as a centre of global governance over its 35-year life (Payne 2005; Rosenau 1995, 1997; Murphy 2000). It has done so first, by protecting within its members, and promoting globally the values and practice of open democracy, individual liberty and social advance. By this ultimate standard it has been strikingly successful in producing the global democratic revolution still unfolding throughout the world.

The G8 started defensively, by bringing democrats in and keeping communists out of a new post-Franco Spain in 1975, of an embattled Italy in 1976 and in a France with home-grown communists in its coalition government as the new Cold War of the 1980s began. In 1989 the G8 sparked and shaped the second Russian revolution — the largely peaceful destruction of the Soviet Union, bloc and system and the rise of democratic polities in their place. It later helped bring democracy to the Balkans and Indonesia, protect it in the Americas and support it in Africa as the new millennium dawned. These successes were brought by the G8 acting as a concert of all the world major power democracies, delivered by popularly elected leaders deeply committed to democracy, through a club they considered their own. Strengthening these fundamental foundations for proven performance is the standard by which any G8 reform proposals should be judged and by which any G8 reform programme should unfold.

Across all the six dimensions of global governance, the G8 has performed well during its first 35 years (Kirton 2008c). As Appendix C shows it has held 95 days of leaders' discussions whose outcomes have been recorded in 195

public documents. These contained 3,189 collective commitments, which were complied with by G8 members in the following year at an average level of +41 on a scale ranging from -100 to +100. Over this time and across its five seven-year hosting cycles, G8 performance has generally grown. Although performance has varied from year to year, there has been a general ratchet-like rise, with two notable jumps. The first came as the Cold War ended in 1989 and the second as globalization took hold as the 21st century dawned. As all these achievements took place without the addition of any G8, EU, or UN-like legal charter, council of ministers, secretariat or stand alone bureaucracy, the value of many of the standard liberal institutionalist, legalized, hard law proposals for the G8 reform are cast into considerable doubt (Abbott et al. 2000; Kirton, Trebilcock 2006). At the same time, this robust and rising record allows for evidence-based assessments of the current proposals for outreach, in-reach and down-reach to improve performance even further in the years ahead.

Outreach: Membership and Participation

The first component, outreach, has long received most of the attention in the G8 reform debate (Kirton 2008b; Bergsten 2008; McCain 2007; Holbrooke 2008; Antkiewicz, Cooper 2008; Cooper, Jackson 2007; Lesage 2007; Martin 2006; Kirton 2005). As Appendices A and D show, the G8 has already more than doubled its membership, as measured by the number of countries whose leaders come to the summit every year. Its first major expansion, from the “Berlin Dinner” four comprised of the US, Britain, France and Germany whose leaders had lunch at the British embassy in Helsinki in July 1975 to the six at the first regular summit at Rambouillet that November was a major, 50%, advance. Adding Japan and Italy brought the world’s second and fifth ranking powers in, turned a Euro-Atlantic club into a Mediterranean, Asia-Pacific and thus global one and expanded the G8’s geographic, linguistic and religious diversity a great deal. Adding Canada, with the second largest territory in the world, in 1976 made the G8 more of a Pacific and Arctic as well as an Atlantic and Americas club. The expanding multicultural EU, with its re-unified Germany and now 27 members and later Russia reinforced the power, geographic reach, and diversity of the club, especially by bringing less economically developed non-OECD countries in.

Amidst all this membership expansion the G8 has never removed a member, just as the rules of a concert (but not collective security) dictate. It is only two and minor moves in this direction came in 1985 when France refused to attend a special summit on the East-West nuclear arms control and in August

2008 when G7 foreign ministers and finance ministers held conference calls to discuss Russia's invasion of democratic Georgia and issued statements in response. The G8 has happily had the four European powers alongside the EU as members for 32 years. It has always expanded by adding one member at a time. It has done so increasingly slowly and in an incremental way (with Russia and the EU still not full members of all ministerial forums).

Turning the G8 into a G13 by adding five full members all at once would thus be a truly unprecedented step. Nor is it clear why it is needed now. With the ever expanding EU included, the G8 now has 32 states as permanent members involved at first or second hand. The inclusion of a now rapidly rising Russia has enormously increased the G8's diversity on many dimensions, including level of development, as well as increasing the G8's predominant capability and internal equality too. The ever enlarging EU 27 is doing the same. The G8 thus stands in sharp contrast with a UNSC that has been frozen with the same permanent five members for 63 years, and with an International Monetary Fund and World Bank whose executive boards are largely unchanged.

In terms of partial participation, as Appendix E shows, since 1996 a total of 11 different multilateral organizations have had their executive heads invited and have come to the G8 summit. The UN, representing virtually all the global community, has come to all but one since 2001. To be sure, the UN — G8 connection could be strengthened. But the best way to do so is by having the UN invite the G8, represented by its annual chair, to its inner management clubs such as the Permanent Five (P5) of the UNSC. For those who argue, in formulaic realist fashion, that multilateral organizations do not matter and that only countries count, Appendix F shows that 31 countries have participated in the summit since 2001. They are led by South Africa and the emerging 05 powers. But they include a wide range of democratic powers from all regions of the world.

In-Reach: Leaders, Ministers and Officials Institutionalization

The G8's own institutionalization assumes even more importance as the G8 leaders' time together at their regular annual summit has dwindled to one day. At the leader's level, the G8 has recently succeeded in having the new MEM/MEF as a summit level institution become an integral part of the annual G8 summit itself. Moreover the G8 summit has served as the core of the G20 summit which started in November 2008.

At the ministerial level, the G8 has now developed a dozen ministerial institutions, with Japan in 2008 reinforcing the ones for energy, environment,

development, and science and technology research, while creating the one for agriculture that held its first meeting in 2009 (Appendix G). The G8 body for trade (where Europe was combined into one in the Quadrilateral) has fallen into disuse at the ministerial, if not deputies, level, even as the prospects for successfully concluding the long overdue Doha Development Agenda have declined. G8 ministerial institutions for investment, innovation, health, food and agriculture, transportation, communication and defence have not emerged, despite the prominence on the summit agenda that these matters have assumed. As globalization has made many long local and national issues now a matter for global governance, more portfolio ministries in G8 governments could benefit from having a G8 institution of their own.

At the official level, the G8 has created 80 bodies over the past 33 years, with 37 of them born since 2003 (Appendix H). They have been produced by all countries hosting the summit during the current cycle. The allegedly unilateralist United States of President George Bush in 2004 was particularly energetic in this international institution-building regard. The official bodies, which come in diverse forms, are concentrated in policy areas that are the summit priority subjects at the time they are formed and in fields, such as energy and terrorism, where UN bodies are non-existent or weak. They have cumulatively come to cover a wide range of fields. They are usually shortlived, although since the start a few such as the Nuclear Suppliers Group have functioned to this day. There has been a post-Cold War tendency to make them continuing bodies, as with the Financial Action Task Force (FATF) of 1989, and the Roma and Lyon Groups on crime and terrorism (Scherrer 2008, forthcoming). They have also expanded to embrace many other countries, with the first body — the London Nuclear Suppliers Group that coalesced in 1975 — now having 45 members in its club.

Institutionalization at the official level has tended to preserve the leaders' flexibility to start and stop such bodies as they wish, and thus keep a direct relationship with the leaders themselves. There has thus never been a G8 secretariat, beyond such short-lived, issue-specific, selective steps such as the Support Implementation Group and Heiligendamm Process platform that G8 governors have invented to assist with particular tasks (Antkiewicz, Cooper 2008).

Down-Reach: Civil Society Inclusion

The third component — down-reach for civil society inclusion — is where the G8 system has expanded the least until the last few years (Hajnal 2008, 2007a, 2007b). Civil society started to connect with the G8 at the annual summit in

1984, when The Other Economic Summit (TOES) held a conference for oppositional NGO activists near the summit's time and place (Appendix I). In 1998 civil society became much more organized, connected and influential, as the *ad hoc* coalition of religious, labour and NGO groups in Jubilee 2000 mounted a multi-year campaign, met with G8 host Tony Blair at and during the G8's Birmingham Summit, and pushed the G8 to go further and faster on debt relief for the poorest. At Okinawa in 2000 such civil society groups were granted space on the summit site to hold briefings, and met with the host prime minister, Yoshiro Mori, during the summit itself.

In the 21st century the G8 began to institutionalize its connection with civil society. In 2002, when Canada hosted the Forum International de Montreal organized a meeting of global civil society leaders with G8 sherpas, starting an engagement that continued and strengthened in subsequent years. In 2002, the speakers of the lower houses of G8 legislatures started to meet, and have continued to do so once a year. However, compared to the degree of legislative involvement in other similar plurilateral summit institutions (PSIs), starting with the Commonwealth that is almost a century old, the G8's legislative institutionalization is very late and still very light (Kirton 2008a).

The 2005 summit inspired the creation of the multi-stakeholder Commission for Africa (CFA) to support the work of host Tony Blair and some summit colleagues on this agenda priority (Wickstead 2007). The civil society led the Make Poverty History campaign mobilized many across Britain. Through its Live 8 rock concert on the eve of the summit, it connected with up to a billion citizens around the world (Cooper 2008). There was also a Junior 8 (J8), at which secondary school students from G8 countries met briefly with the G8 leaders at the summit itself.

The next major step in forging the G8-civil society connection came in 2006, when Russia hosted the G8 for the first time. The Russians created a formal year-long institution and process of Civil 8. It culminated with 700 global civil society leaders meeting host Vladimir Putin in a freewheeling, public session just before the summit's start. In 2006 G8 religious leaders also gathered for the first time, creating a process that has grown ever since. The year 2006 also marked the first meeting of the Moscow Club, where representatives of G8 news agencies began their annual meeting with G8 governors just before the summit's start. There has also arisen the University 8, where leaders of universities from G8 countries meet, and a process for their national academies of science to gather as well.

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Country	1975	1977	1998	2007
United States	4311.20	4750.50	9066.90	11545.79
Japan	2231.53	2422.10	4541.27	5201.02
Germany	1088.44	1179.00	1801.93	2075.09
United Kingdom	797.44	839.18	1349.44	1719.96
France	1088.44	1179.00	1801.93	2075.09
Italy	594.71	648.48	1026.11	1159.75
Canada		373.24	652.00	864.80
Russia			221.90	398.60
Austria			179.34	217.08
Belgium		136.58	123.03	255.52
Bulgaria				17.57
Cyprus				11.42
Czech Republic				74.20
Denmark		105.81	149.92	179.58
Estonia				9.43
Finland			110.35	144.75
Greece			103.77	146.46
Hungary				60.69
Ireland		29.02	77.35	133.21
Latvia				13.56
Lithuania				18.69
Luxembourg		6.45	16.67	24.94
Malta				4.09
Netherlands		210.45	344.46	404.03
Poland				218.23
Portugal			99.21	111.60
Romania				55.21
Slovakia				28.97
Slovenia				24.44

Country	1975	1977	1998	2007
Spain Sweden World Total G8	14652.70	15970.10	517.21	719.45
Total	10111.76	11391.50	219.58	283.82
Ci8 as % of World Total G8 + EU	69.01	71.33	29576.35	38866.14
Total	N/A	11879.81	20461.48	25040.10
G8 + EU as % of World Total	N/A	74.39	69.18	64.43
			22402.37	28197.04
			75.74	72.55

Notes: Real Historical Gross Domestic Product (GDP) for Baseline Countries (in bn of 2000 U.S. dollars). The data includes the countries of the European Union represented for the year in question.

Source: World Bank World Development Indicators, adjusted to 2000 base and estimated and projected values developed by the Economic Research Service.

Appendix B

Table A6.2. European Union Legal Policy Competence
Compiled by Judith Huigens, July 9, 2008

		Of all	Trade	Env	Eco & Mon	Foreign Policy	Sec & Def	Empl & Social	Edu	Cust, Union	Immig Policy	Just	Cult	Dev, IIR & Aid	Health	Consum Prot & Food Saf	Fish	Int Agr	Welf State	Corp Tax Rates	Agric	Space	Energy
1975	22	4 ^a	0	0	0	0	0	0	0	4 ^b	0	0	0	0	0	0	4 ^c	0	0	0	4 ^d	3 ^e	3 ^f
1976	22	4	0	0	0	0	0	0	0	4	0	0	0	0	0	0	4	0	0	0	4	3	3
1977	22	4	0	0	0	0	0	0	0	4	0	0	0	0	0	0	4	0	0	0	4	3	3
1978	22	4	0	0	0	0	0	0	0	4	0	0	0	0	0	0	4	0	0	0	4	3	3
1979	22	4 ^g	0	0	0	0	0	0	0	4	0	0	0	0	0	0	4	0	0	0	4	3	3
1980	22	4	0	0	0	0	0	0	0	4	0	0	0	0	0	0	4	0	0	0	4	3	3
1981	22	4	0	0	0	0	0	0	0	4	0	0	0	0	0	0	4	0	0	0	4	3	3
1982	22	4	0	0	0	0	0	0	0	4	0	0	0	0	0	0	4	0	0	0	4	3	3
1983	22	4	0	0	0	0	0	0	0	4	0	0	0	0	0	0	4	0	0	0	4	3	3
1984	22	4	0	0	0	0	0	0	0	4	0	0	0	0	0	0	4	0	0	0	4	3	3
1985	22	4	0	0	0	0	0	0	0	4	0	0	0	0	0	0	4	0	0	0	4	3	3
1986	25	4 ^h	3	0	0	0	0	0	0	4	0	0	0	0	0	0	4	0	0	0	4	3	3
1987	25	4	3	0	0	0	0	0	0	4	0	0	0	0	0	0	4	0	0	0	4	3	3
1988	25	4	3	0	0	0	0	0	0	4	0	0	0	0	0	0	4	0	0	0	4	3	3
1989	25	4	3	0	0	0	0	0	0	4	0	0	0	0	0	0	4	0	0	0	4	3	3
1990	29	4	3	4 ⁱ	0	0	0	0	0	4	0	0	0	0	0	0	4	0	0	0	4	3	3
1991	29	4	3	4	0	0	0	0	0	4	0	0	0	0	0	0	4	0	0	0	4	3	3
1992	45	4 ^j	3	4	0	0	0	2	4	4	3	3	2	2	0	0	4	4	0	0	4	3	3
1993	47	4	3	4	2	0	0	2	4	4	3	3	2	2	0	0	4	4	0	0	4	3	3

Table A6.2 (continued)

	Of all	Trade	Env	Eco & Mon	Foreign Policy	Sec & Def	Empl & Social	Edu	Cust, Union	Immig Policy	Just	Cult	Dev, HR & Aid	Health	Consum Prot & Food Saf	Fish	Int Agr	Welf State	Corp Tax Rates	Agric	Space	Energy
1994	47	4	3	4	2	0	0	2	4	3	3	2	2	0	0	4	4	0	0	4	3	3
1995	47	4	3	4	2	0	0	2	4	3	3	2	2	0	0	4	4	0	0	4	3	3
1996	47	4	3	4	2	0	0	2	4	3	3	2	2	0	0	4	4	0	0	4	3	3
1997	52	4	3	4	2	0	2	2	4	3	3	2	2	0	3	4	4	0	0	4	3	3
1998	52	4	3	4	2	0	2	2	4	3	3	2	2	0	3	4	4	0	0	4	3	3
1999	52	4	3	4 ^k	2	0	2	2	4	3	3	2	2	0	3	4	4	0	0	4	3	3
2000	54	4	3	4	2	2	2	2	4	3	3	2	2	0	3	4	4	0	0	4	3	3
2001	54	4	3	4	2	2	2	2	4	3	3	2	2	0	3	4	4	0	0	4	3	3
2002	54	4	3	4 ⁱ	2	2	2	2	4	3	3	2	2	0	3	4	4	0	0	4	3	3
2003	54	4	3	4	2	2	2	2	4	3	3	2	2	0	3	4	4	0	0	4	3	3
2004	54	4	3	4	2	2	2	2	4	3	3	2	2	0	3	4	4	0	0	4	3	3
2005	54	4	3	4	2	2	2	2	4	3	3	2	2	0	3	4	4	0	0	4	3	3
2006	54	4	3	4	2	2	2	2	4	3	3	2	2	0	3	4	4	0	0	4	3	3
2007	54	4	3	4	2	2	2	2	4	3	3	2	2	0	3	4	4	0	0	4	3	3
2008	54	4	3	4	2	2	2	2	4	3	3	2	2	0	3	4	4	0	0	4	3	3

Notes: 0 = no competence; 5 = full compliance; 2 = complementary competence (Action by EU limited to supporting, encouraging, and coordinating action taken by members. Union-level action cannot supersede competence of a member); 3 = shared competence (provisions by Union may limit action of member states, and the members cannot implement measures that are not in accordance with the Union's provisions); 4 = full competence.

a. Since 1957, common ext tariff since 1968; b. Since 1968; c. Since 1970; d. Since 1960; e. Since 1975: ESA; f. Since 1951; g. EMS; h. SEA; i. Start development; j. Maastricht Treaty; k. Implementation of the euro; l. Introduction of the euro.

Table A6.3 (continued)

Year	Bayne Grade	Domestic Political Mgmt		Deliberative			Directional	Decisional	Delivery	Dev of Global Governance	Attendees	
		% Mem	Ave # Refs	# Days	# State-ments	# of Words	# Refs to Core Values	# Cmts	Compliance	# Bodies Min/Off	# Mem	# Par
2000	B	40%	6.5	3	5	13.596	6	105	81.4	0/4	TBC	TBC
2001	B	33%	1.5	3	7	6.214	3	58	55.0	½	TBC	TBC
2002	B+	17%	1	2	18	11.959	10	187	35.0	1/8	TBC	TBC
2003	C	40%	2.5	3	14	16.889	17	206	65.8	0/5	TBC	TBC
2004	C+	33%	1	3	16	38.517	11	245	54.0	0/15	TBC	TBC
2005	A-	40%	1	3	16	22.286	29	212	65.0	0/5	TBC	TBC
2006	N/A	39%	1.8	3	15	30.695	256	317	47.0	0/4	TBC	TBC
2007	N/A	75%	1	3	8	25.857	651	329	52.0	0/4	TBC	TBC
2008	N/A	N/A	N/A	3	6	16.842	TBC	296	N/A	TBC	9	19
Total	N/A	N/A	21	95	195	313.915	1052	3,189		12/80	TBC	TBC
Ave. all	B-	42%	1.75	2.8	5.7	9.233	31.9	94	41.4	0.3/2.4	TBC	TBC
Av. cycle 1	B-	U.S., C	U.S. C	2.1	2.9	2.526	1.1	30	32.5	0.14/0.71	TBC	TBC
Av. cycle 2	C-	U.S., C	U.S. C	3	3.6	3.408	1.3	34	32.4	0.29/1.14	TBC	TBC
Av. cycle 3	C+	U.S., C	U.S. C	3	4	6.446	4.4	56	47.5	0.58/1.29	TBC	TBC
Av. cycle 4	B	29.3%	2	2.9	6.7	10.880	5.7	106	42.1	0.58/3.57	TBC	TBC
Av. cycle 5	B-	45.4%	1.5	3	12.5	25.181	192.8	268	56.8	0.00/7.4	TBC	TBC

Notes: N/A=Not Available; TBC=to be calculated; US=United States; C=Canada

*Bayne Grade: the 2005 grade of A- is a confirmed grade.

*Domestic Political Management: % Mem is the percentage of G8 countries that made a policy speech referring to the G8 that year. Ave # refs = the average number of references for those who did mention the G8 that year.

*Directional: number of references in the communiqué's chapter or Chair's Summary to the G8's core values of democracy, social advance and individual liberty.

*Compliance scores from 1990 to 1995 measure compliance with commitments selected by Ella Kokotsis. Compliance scores from 1996 to 2007 measure compliance with G8 Research Group's selected commitments.

*2007 score is Interim score for that year. It is not included in the overall or cycle average.

Appendix C

Table A6.3. G8 Summit Performance by Function, 1975–2008

Year	Bayne Grade	Domestic Political Mgmt		Deliberative			Directional	Decisional	Delivery	Dev of Global Governance	Attendees	
		% Mem	Ave # Refs	# Days	# State-ments	# of Words	# Refs to Core Values	# Cmts	Compliance	# Bodies Min/Off	# Mem	# Par
1975	A–	N/A	N/A	3	1	1.129	5	14	57.1	0/1	4/6	0
1976	D	N/A	N/A	2	1	1.624	0	7	08.9	0/0	7	0
1977	B–	N/A	N/A	2	6	2.669	0	29	08.4	0/1	8	0
1978	A	N/A	N/A	2	2	2.999	0	35	36.3	0/0	8	0
1979	B+	N/A	N/A	2	2	2.102	0	34	82.3	½	8	0
1980	C+	N/A	N/A	2	5	3.996	3	55	07.6	0/1	TBC	0
1981	C	N/A	N/A	2	3	3.165	0	40	26.6	1/0	TBC	0
1982	C	N/A	N/A	3	2	1.796	0	23	84.0	0/3	TBC	0
1983	B	N/A	N/A	3	2	2.156	7	38	–10.9	0/0	TBC	0
1984	C–	N/A	N/A	3	5	3.261	0	31	48.8	1/0	TBC	0
1985	E	N/A	N/A	3	2	3.127	1	24	01.0	0/2	TBC	0
1986	B+	N/A	N/A	3	4	3.582	1	39	58.3	1/1	TBC	0
1987	D	N/A	N/A	3	7	5.064	0	53	93.3	0/2	TBC	0
1988	C–	N/A	N/A	3	3	4.872	0	27	–47.8	0/0	TBC	0
1989	B+	N/A	N/A	3	11	7.125	1	61	07.8	0/1	TBC	0
1990	D	N/A	N/A	3	3	7.601	10	78	–14.0	0/3	TBC	0
1991	B–	N/A	N/A	3	3	8.099	8	53	00.0	0/0	TBC	0
1992	D	N/A	N/A	3	4	7.528	5	41	64.0	1/1	TBC	1
1993	C+	N/A	N/A	3	2	3.398	2	29	75.0	0/2	TBC	1
1994	C	N/A	N/A	3	2	4.123	5	53	100.0	1/0	TBC	1
1995	B+	N/A	N/A	3	3	7.250	0	78	100.0	2/2	TBC	1
1996	B	40%	1	3	5	15.289	6	128	41.0	0/3	TBC	5
1997	C–	40%	1	3	4	12.994	6	145	12.8	1/3	TBC	1
1998	B+	25%	1	3	4	6.092	5	73	31.8	0/0	TBC	TBC
1999	B+	80%	1.7	3	4	10.019	4	46	38.2	1/5	TBC	TBC

Appendix D

G8 Membership in G8 Summit

1975	United States, Britain, France, Germany
1975	Japan, Italy
1976	Canada
1977	European Community 9
1981	European Community 10
1982	Belgium* (1987, 1993, 2001)
1986	European Community 12, Netherlands* (1991, 1997)
1995	European Union 15
2002	Spain*
2003	Greece*
2004	European Union 25, Ireland*
2006	Finland*
2007	European Union 27
Total Countries = 32 Members: 9 + 6 European Union outside presidencies + European Union 27	

Appendix E

Table A6.4. Participation of Multilateral Organizations in G8 Summits

United Nations	9	1996	2000	2001	2002	2003	2005	2006	2007	2008
World Bank	7	1996	2000	2001		2003	2005		2007	2008
IMF	5	1996				2003	2005		2007	2008
WTO	4	1996	2000	2001			2005			
IEA	4						2005	2006	2007	2008
African Union	3						2005	2006	2007	
WHO	3		2000	2001				2006		
IAEA	1							2006		
UNESCO	1							2006		
OECD	2								2007	2008
CIS	1								2007	
Total	40	4	4	4	1	3	6	6	7	5

CIS = Commonwealth of Independent States

IAEA = International Atomic Energy Agency

IEA = International Energy Agency

IMF = International Monetary Fund

OECD = Organisation for Economic Co-operation and Development

UNESCO = United Nations Educational, Scientific, and Cultural Organization

WHO = World Health Organization

WTO = World Trade Organization

Appendix F

Table A6.5. Participating Countries in G8 Summit

1. South Africa	8	2001	2002	2003	2004	2005	2006	2007	2008
2. Nigeria	7	2001	2002	2003	2004	2005		2007	2008
3. Algeria	7	2001	2002	2003	2004	2005		2007	2008
4. Senegal	7	2001	2002	2003	2004	2005		2007	2008
5. China	5			2003		2005	2006	2007	2008
6. India	5			2003		2005	2006	2007	2008
7. Brazil	5			2003		2005	2006	2007	2008
8. Mexico	5			2003		2005	2006	2007	2008
9. Ghana	4				2004	2005		2007	2008
10. Egypt	2			2003				2007	
11. Ethiopia	2					2005			2008
12. Tanzania	2					2005			2008
13. Bangladesh	1	2001							
14. Mali	1	2001							
15. El Salvador	1	2001							
16. Morocco ^a	1			2003					
17. Saudi Arabia	1			2003					
18. Malaysia	1			2003					
19. Switzerland	1			2003					
20. Afghanistan	1				2004				
21. Bahrain	1				2004				
22. Iraq	1				2004				
23. Jordan	1				2004				
24. Turkey	1				2004				
25. Yemen	1				2004				
26. Uganda	1				2004				
27. Congo ^b	1						2006		
28. Kazakhstan ^c	1						2006		
29. Australia	1								2008
30. Indonesia	1								2008
31. South Korea	1								2008
Total^d	78	7	4	13	12	11	7	10	14

a. Representing the G77

b. Representing the African Union

c. Representing the Commonwealth of Independent States

d. Does not include outside presidencies of the European Union

Appendix G

G8 Ministerial Institutions

A. Recurrent

1973	Finance, 1975, 1986–
1975	Foreign Affairs, 1984–
1979	Energy, 1998, 2002, 2005–
1981	Trade to about 2000
1992	Environment
1994	Employment & Labour
1995	Information to 1996
1995	Terrorism
1997	Justice & Home Affairs (Crime)
2000	Education, 2006
2002	Development, 2003, 2005, 2007, 2008
2002	Research/Science and Technology 2008

Total = 12

B. One Time Only

1997	Small and Medium Sized Enterprises
2006	Health
2009	Agriculture

C. G8-Centric Ministerial Institutions from Start

1999	G20 Finance Ministers and Central Bank Governors
2001	Global Health Security Initiative (without Russia, with Mexico)
2005	Gleneagles Dialogue on Energy and Climate

Appendix H

Official-Level Bodies

1975–1981	8
1982–1988	9
1989–1995	14
1996–2002	16
2003–2010	37
2003 France	8
2004 USA	16
2005 UK	5
2006 Russia	4
2007 Germany	4
2008 Japan	4
Total	84

Appendix I

Civil Society Involvement in G8 Summit

1984	The Other Economic Summit conference near summit site
1988	G8 Research Group: Conferences, Website (1996–), Compliance Report (1996–)
1998	Jubilee 2000 ad hoc coalition meets Tony Blair as host during summit
2002	Forum International de Montréal starts global civil society-G8 sherpa meetings
2002	Legislative Lower House Speakers annual meeting starts
2005	Commission for Africa with multi-stakeholder membership
2005	Make Poverty History Campaign, Live 8 Concert engage 1 billion citizens
2005	Junior 8 (J8) secondary school students meet leaders during summit
2005	Religious Leaders Summit starts
2006	Civil 8 formed to advise Russian presidency
2006	Media news agencies form Moscow Club to meet with G8 minister annually
2008	G8 University Summit
2008	G8 Business Summit
2008	NGOs invited to participate at the International Media Centre during the summit

Includes collective actions by G8 bodies aimed at the G8 itself at the time and place of, or as part of the lead up to, of the summit itself. Excludes activity within member countries or lead up lobbying of host and member governments by international bodies representing business, labour, agriculture, etc.

Chapter 7

Furture Role and Reform of the G8

Peter I. Hajnal, Victoria Panova Introduction

There is widespread and growing recognition of structural, procedural and other shortcomings of the present G8, and the need to reform or replace it. This sentiment has been expressed by the news media, academia and civil society, and, increasingly and significantly, by several present and former leaders and other high officials of G8 countries. They have called for transformation into a different institution so that all significant players could play their full role in addressing global challenges. These voices include, among others, those of former Canadian Prime Minister Paul Martin, French Prime Minister Nicolas Sarkozy, UK Prime Minister Gordon Brown, and even former German Chancellor Helmut Schmidt who was one of the founding fathers of the original G5/G7 — predecessor of the G8 (Martin 2007; Schmidt 2007; France 2008; Parker 2009).

Despite its proven flexibility and significant achievements over its 35-year history, the G8 remains rooted in an earlier era, and it has not adequately responded to changing political and economic realities over its lifespan. The most pressing issue has been the emergence of crucial new actors outside the G8 framework and their significance in global governance. Without the full participation of major emerging-economy countries that are systemically important players, satisfactory initiatives and action in response to global problems cannot be taken. And even wider participation is necessary to address global challenges of climate change, poverty, health and financial architecture.

Over the years there has been a plethora of reform proposals, ranging from abolishing the G8 altogether to expanding or reducing its membership, rationalizing its agenda and processes, increasing its legitimacy and representativeness, replacing it with a new body, or supplementing it with additional bodies or a permanent secretariat. Leaders of the G7 — the predecessor of the G8 — had expressed their wish to stage smaller, more intimate and more focused summit meetings, with fewer officials in attendance and fewer media

correspondents around. Others, too, have proposed various courses of action, ranging from abolition to institutional strengthening of the G7 (Hajnal 2007a; Hajnal 2007b; Kirton 2008).

Many of these proposals have merit, and some have had high-level advocates, notably former Canadian Prime Minister Paul Martin who has pressed for the establishment of the “L20” or leaders’ 20, perhaps with the same initial membership as the existing G20 finance ministers’ forum. Complete integration of China, India, Brazil, Mexico and South Africa (the present “G5”) with the G8 to form a G13 is another proposal that has gained currently. However, for such far-reaching reform of the G8 to become reality, it must be not only promoted by the advocates of change, but agreed upon and endorsed by consensus of the leaders of the present G8. This remains true with the emergence in November 2008 of the G20 leaders’ forum alongside with the continuing finance ministers’ G20. The G20 leaders have since met a second time on 2 April 2009 and are due to have their third summit in Pittsburgh on 24-25 September 2009 — but the G20 summit has not yet become a permanent forum.

This chapter focuses on the period beginning with 1998, referring only briefly to early reform initiatives. It examines and comments on reform proposals as well as reforms actually achieved or underway. It pays particular attention to the reform dimension of the evolving G5, Heiligendamm Process (HP), BRIC (Brazil, Russia, India, China), Major Economies Forum and G20 groupings, and to the G8’s relationship to these structures, as well as to the EU — G8 relationship. The chapter concludes with outlining possible trajectories of the G8 reform.

The 1998 Birmingham Reforms and their Aftermath

The 1998 Birmingham summit undertook major reform, producing several innovations in participation, format and agenda. Birmingham officially integrated Russia into the club, turning it into the G8. It was a leaders-only summit, with foreign and finance ministers meeting separately in London a week before the summit, on 8-9 May, to prepare for the summit and to deal with issues not on the summit agenda. This made it possible to achieve greater informality than had been the case at previous summits, enabling the leaders to spend considerable time together and to focus personally on topics they wished to discuss. As well, it had a more focused agenda than previous summits. The more limited agenda also reduced the volume of documentation, although this effect proved to be rather inconsistent after Birmingham (Bayne 2005).

This internal reform has taken hold as established practice, but this did not satisfy critics. Shortly after the Birmingham summit, noted economist Jeffrey Sachs proposed transforming the G8 into a G16, comprising the present G8 plus eight developing countries. For this expanded club, Sachs placed democratic governance as the major criterion of membership, arguing that the core developing country candidates should be Brazil, India, South Korea and South Africa, to be joined “soon [by] a democratic Nigeria”. In his view, a “development agenda” should guide this new body, including: global financial markets and international financial reform; conditionality and foreign aid; reform of the international assistance programme; and ending the debt crisis (Sachs 1998). Once Birmingham opened the door to summit reform, post-summit assessments and proposals have proliferated.

In a July 2001 leader, written just after the tumultuous Genoa summit, the *Financial Times* questioned whether “G8 summits should exist and, if so, in what form”, and noted: “summits have worked best when the leaders have had a chance to be separate from their national entourages... and when there has been a crisis to try to sort out”. The piece concluded that there “should have been ... a commitment to hold the next G8 only when there is a burning topic to discuss” (For Slimmer... 2001). The terrorist attacks of 11 September 2001, mere months later, thrust such a topic onto the international consciousness, placing security at the top of the agenda. In the post-9/11 context, security for the leaders became paramount for summit host countries. Therefore, most G8 summits since Kananaskis in 2002 have met at remote places. This has had the advantage of easier security for the G8 leaders but also the disadvantage of the leaders meeting far from the media, the public, and civil society. At Gleneagles in 2005, accredited media personnel were again located near, but still isolated from, the venue of the leaders’ meetings. Furthermore, the remote locale did not prevent protesters, or rock stars (notably the Live8 phenomenon) and the Make Poverty History march, from making their presence felt.

The think tank Shadow G8 (formerly called *G8 Preparatory Conference*) of distinguished individuals with high-level previous summit experience, led by C. Fred Bergsten of the Peterson Institute of International Economics, was launched in 2000 on the premise that “recent G8 summits have not fulfilled their potential. [Its members] believe that summits should reform their methodology and adopt agendas that effectively address the sweeping changes in global economic and security affairs that characterize the early years of the new century” (Bergsten, Montbrial 2003). Given that G8 leaders have had a hard time reforming themselves (although the Birmingham reforms were worth

while), the question can be asked: why not start a new group in which the heads of systemically important countries could meet and get to know one another? (Hajnal 2004). The Shadow G8 functioned until 2006; in 2007 a different “Shadow G8” appeared under the leadership of the Nobel-laureate economist Joseph E. Stiglitz.

The L20 Initiative

One of the most interesting reform ideas to expand the leaders’ forum was the proposal to turn the G20 finance ministers’ forum into a leaders’ level group of 20, or L20. In a paper predating this initiative but similar in its thrust, Shadow G8 member Wendy Dobson noted that the challenges to leaders had changed since the Cold War days when the G7 was first established, and asserted that a “G3 or G7 ‘directoriate’ [was] no longer acceptable... [What was required was] a consensus among a wider group”. She envisioned two scenarios to build on the precedent of the G20 finance ministers’ forum: convening functional groups of ministers from G20 countries on systemic problems such as climate change, North-South issues, trade and poverty alleviation; and expanding leaders’ meetings to include all the leaders of the G20 countries. In the interest of efficient management, this leaders’ body would require a steering committee with revolving membership. In Dobson’s view, this new body would not replace the G8 but would meet periodically before or after G8 summits (Dobson 2001).

The L20 idea was taken up enthusiastically by former Canadian Prime Minister Paul Martin who, in his previous post as finance minister, had been the first chairman of the finance ministers’ G20. In a 2005 issue of *Foreign Affairs*, he made the case for an expanded leaders’ level forum and introduced the term “L20”. He reviewed and analyzed the circumstances of the emergence and functioning of the finance ministers’ G20; discussed the need for a similar forum for political leaders; and outlined the L20’s possible composition, initial agenda, potential role, and relations with existing multilateral organizations (Martin 2005). Choosing this influential journal to showcase the idea reflected Martin’s recognition that summit reform was not possible without the support of the United States.

Building on this framework, the think tanks Centre for International Governance Innovation (CIGI) and the Centre for Global Studies (CFGs) (both with headquarters in Canada, respectively in Waterloo and at the University of Victoria), have been examining the ramifications of this potential transformation of the finance ministers’ G20 into the L20. They sought to answer

a number of questions: What are the issues? What would be the appropriate design for a successful L20 acceptable to the leaders? And what was the best route to attaining consensus to establish the L20 summit process? Such a new L20, if successful, would be more broadly representative than the G8, bringing to the table systemically important developing countries (notably China, India and Brazil) and countries with emerging economies. It would set and focus on priorities at the highest level, transcending national bureaucracies, and would be an institution enjoying legitimacy in promoting fiscal, social and environmentally responsible policies; it would also address the efficiency gap, and would be a catalyst for and guide to broader reforms of global governance. One of the aims of the CIGI/CFGS project was to broaden the understanding of the initiative among the G8 and prospective L20 member countries by including academics and practitioners from each nation. *Reforming from the Top: A Leaders'20 Summit* is a comprehensive study of the proposal and its contents and context, including an examination of receptivity to this idea by the South, and a discussion of the modalities of achieving the L20: having an L20 replace the G7/G8 through a "giant leap"; incrementally increasing the membership of the G8 through a G9 and G10 to an eventual L20; and creating an L20 that would operate alongside a continuing G8 (English, Thakur 2005). Another work, by Peter Heap of CFGS, *Globalization and Summit Reform: An Experiment in International Governance*, provides an accessible recent account of these proposals (Heap 2008).

Other Reform Proposals

Another interesting initiative is introduced and explained by Peter B. Kenen, Jeffrey Shafer, Nigel Wicks and Charles Wyplosz, who trace the evolution of international economic and financial co-operation and conclude that its machinery is becoming obsolete, notwithstanding the G7's record of negotiating joint positions and exerting its influence in the Bretton Woods institutions. They recommend the creation of new structures: making room for new players (for example, by streamlining European representation in the G7 and in the IMF Executive Board); establishing a new G4 that would bring together the US, the euro zone, Japan and China to deal with exchange rate problems and adjustments; convening an Independent Wise Persons Review Group to examine existing institutions and groups including the G7; and establishing a new Council for International Financial and Economic Cooperation, with membership of no more than 15, to set the agenda and provide strategic direction for the international financial system and to oversee multilateral institutions

of international economic co-operation. This council would include the systemically important countries, represented on the finance ministers' level. The heads of the UN, IMF, World Bank and WTO would be invited to the council's meetings (Kenen et al. 2004). Commenting on this book, *The Economist* agreed that the G7 was no longer what it had been and has become only one of an "alphanumeric panoply of bodies" attempting to co-ordinate economic policies. *The Economist* noted with approval the book's proposal to give China its rightful place in the structure of macroeconomic diplomacy, stating that without China, "the G7 cannot hope to achieve much" (The Economist 2004).

In a somewhat similar vein, Stephen Roach of Morgan Stanley in 2005 recommended a new architecture for economic policy co-ordination, remarking that the global economy was in need of major steps for rebalancing. One of these steps would be to replace the G7 with a new G5 consisting of the US, the euro zone, Japan, the UK and China. Roach argues that the G7 is a creature of a different era and he finds it particularly odd that it excludes China while giving the EU euro-zone three votes (Germany, France and Italy). His G5 would be a full-fledged organization based on a charter embracing in its mandate all aspects of global economic imbalances. It would have a permanent staff, and it would hold semi-annual meetings based on consultations of the finance ministries and central banks of the member states with the G5's staff of experts. The staff would produce semi-annual reports to serve as agenda for the formal meetings (Roach 2004). Like the proposal by Kenen and his colleagues, Roach's ideas do not account for the non-economic agenda of the present G8 — the environment, security, global health, and other transnational issues.

In a 2005 paper, Colin I. Bradford argues that the existing "institutional framework for dealing with contemporary global challenges does not match the scope, scale and nature of the challenges themselves". One aspect of this mismatch is the G8 and the broader G8 system as it is now constituted. Given considerable reluctance to instituting major reform and expansion of the G8 into a true L20, Bradford suggests adding a few regular core members (China, India, Brazil and South Africa being the leading candidates) to the G8 — turning it into a G12 — and allocating six additional places to other countries that would participate on a rotating basis, depending on particular issues on the agenda. This formula would enhance both the representativeness and the legitimacy of the summit mechanism and would provide top-level strategic leadership to the whole international system (Bradford 2005).

Edwin Truman of the Peterson Institute for International Economics suggested disbanding the G7/G8 and moving many of the latter's policy co-ordination functions to the G20. He argued that this strengthening of the G20 would be a major step in rationalizing the institutions of international economic co-operation. In addition to representation at the level of leaders, ministers of finance and central bank governors, he called for *ad hoc* working groups. He saw the United States and the euro area as leaders of this strengthened G20. At the same time, he also envisioned policy co-ordination of the US and the euro area as an "informal G2" (Truman 2004). This "finance G2" concept is explored by Shadow G-8 chair C. Fred Bergsten, who argues that "Euroland" and the US need a new G2 mechanism not only to monitor and consult on the evolution of the dollar-euro exchange rate but, more ambitiously, also to develop a new G2 monetary regime. This G2 would not be a substitute for the G7 and would function informally and without even public announcement of its existence and activities (Bergsten 2004; Bergsten, Koch-Weser 2004).

Canadian academic and former senior diplomat George Haynal makes the case for a "G-XX" — a more comprehensive and representative summit process, where "XX" does not necessarily stand for "twenty" but implies that the number of members of such a new group is an open question. He argues that such a more inclusive summit "would express the changing nature and balance of power and assist our shared institutions to function better by providing them with the appropriate political direction". Haynal outlines the weaknesses of the existing international system of institutions: the UN Security Council, General Assembly, specialized agencies including the Bretton Woods institutions; and the WTO. He suggests that the new global issues, as well as linkages among international institutions now missing could be addressed by a "G-XX". He identifies the core membership of the G-XX: the existing G8; China, India, South Africa, Brazil and possibly Mexico; and representation from Africa, the Middle East, Southeast Asia, the Americas and the former Soviet bloc. He envisions the G-XX as functioning alongside the G8, not replacing it. Differing from the L20 initiative, he considers that transforming the G20 finance ministers' forum into a leaders' level summit would overburden the G20; nonetheless, he would proceed from the existing composition of the G20. Finally, he recommends starting with a "one-off" process of the leaders, meeting perhaps on the margins of the General Assembly, and focusing on global security as the initial agenda (Haynal 2005).

Media comments around the time of the 2005 Gleneagles summit reflected increasing frustration with the current membership of the G8. In a comment

piece in the *Financial Times* just before the summit, Richard Haas called the G8 “increasingly an anachronism” and added: “No one today would propose an annual meeting that includes Canada (population of 31 m[illion], gross domestic product of \$870 b[illion]n..., Italy (58 m and \$1,200 bn) and Russia (144 m and \$615 bn) but not China (1.3 m and \$1,650 bn) and India (1.1 m and \$650 bn)”. He argued: “The G8 needs to become the G10. Both China and India deserve a seat... It would be a concession to reality that would benefit everyone” (Haas 2005).

The concept of expanding the G8 was raised again in early 2006 by Anders Aslund of the Peterson Institute of International Economics, with the proposal that China, India, Brazil and South Africa be invited as full members, thus transforming the G8 into a more representative G12 (Aslund 2006). More significantly, because it concerns the view of a key G8 leader, it was reported just two days before the St. Petersburg summit that then British Prime Minister Tony Blair had planned to call for making China, India, Brazil, South Africa and Mexico full-fledged members, turning the G8 into the G13. This would build on the “G8 + 5” formula established at Gleneagles. Focusing on a successor to the Kyoto Protocol, Blair stated: “There is no way we can deal with climate change unless we get an agreement that binds in the US, China and India. We have got to get an agreement with a binding framework — of that I am in no doubt at all”. The fact that Brazil and India are principal players in trade negotiations also speaks to the need to make the “G8 + 5” arrangement more formal (Elliott, Wintour 2006).

Following the election of Barack Obama — a fellow Democrat — as President of the United States, Zbigniew Brzezinski suggested the creation of two informal groupings: an expanded G8 alongside with a G2 of the US and China, the latter being the most relevant mechanism to deal best with world issues.

“We certainly need to collaborate closely in expanding the current Group of Eight (...) to a G14 or G16, in order to widen the global circle of decision-makers and to develop a more inclusive response to the economic crisis.

But to promote all that we need an informal G2. The relationship between the US and China has to be a comprehensive partnership, paralleling our relations with Europe and Japan. Our top leaders should therefore meet informally on a regular schedule for personal in-depth discussions not just about our bilateral relations but about the world in general” (Brzezinski 2009).

The host of the 2 April 2009 G20 London summit, UK Prime Minister Gordon Brown, “has been a leading advocate of the G20 format, arguing that the old G8 club of rich, industrial countries was no longer acceptable for directing world affairs” (Parker 2009). Thus, he has added his voice to those of several of his fellow G8 leaders in calling for a more representative forum of global governance. Even earlier, shortly after the first G20 summit of 14-15 November 2008, *The Guardian* opined that the G20 “summit effectively sounded the death knell for the exclusive club of rich nations represented by the G8” (Elliott 2008). And in a more recent article Paul Martin went so far as to say: “The [London] G20 summit... confirms that the G8’s days as the world’s steering committee have drawn to a close. Yet the world cannot afford a vacuum. Only a successful G20 will fill the void” (Martin 2009).

It is interesting to recall that as the L20 project evolved, agenda that might be appropriate for the new leaders’ forum was carefully considered. The various potential topics foreseen by the L20 think tanks, as well as in other proposals for a G20, included global health and global security, among other issues. In the event, what sparked the convening of the first G20 summit was the financial crisis that erupted in 2008. As of the London G20 summit, there were already signs of agenda expansion in view of trade, development and other linkages to the core financial and economic issues.

To cite one final example of recent reform proposals, in October 2008 the UN General Assembly established a Commission of Experts on Reforms of the International Monetary and Financial System headed by Joseph Stiglitz and comprising 18 senior international economists, former and current government ministers as well as central bank officials from Japan, Africa, Western Europe, Latin America and Asia. The Commission’s mandate was to study the reform of international financial institutions and to create a coordinated approach to global financial structures which were seen as needing a drastic overhaul. The Commission’s report was issued at the end of March 2009; its recommendations include, among others, the creation of a new, elected Global Economic Coordination Council which would be a part of the UN, would meet annually at the head-of-state level and would be a “democratically representative alternative to the G20.” The proposed Council would be independent of the Security Council and would have 20 to 25 members (UN News Service 2009; Harvey 2009). Following this initiative, the UN General Assembly convened a Conference on the World Financial and Economic Crisis and its Impact on Development in New York on 24-26 June 2009 which produced a set of proposals accepted by consensus and

submitted to the full General Assembly for adoption (United Nations General Assembly 2009).

Russia's Position

Interestingly, and in contrast with the broad range of proposals and deliberations on the reform of the G8 mechanism originating in Europe and North America, not much is found on the Russian side. The G8's newest member has a variety of approaches to what the G8 is, what its role should be and — the major part of deliberations — the place and role of Russia within it. At the same time, Russian academic, government and civil society circles do not seem to pay as much attention to the reform of the G8 mechanism as it is at present. It is widely perceived that the UN structure is and should remain the principal actor in the field, with other mechanisms — the G8 included — taking a secondary and supportive role vis-a-vis the leading organization.

Moreover, with the ups and downs in the relationship between Russia and the West, it has become more relevant for Russia not to pay primary attention to G8 solidarity and ways to keep and strengthen it, but rather to concentrate on the bilateral approach and pay more attention to its common interests with the so called “Outreach countries”, primarily within the BRIC grouping. This is clear from intensified co-operation within this format, be it on the sidelines of the G20 summit or independently (meetings of the BRIC foreign ministers in Yekaterinburg in 2008, the finance ministers in Horsham (UK) in March 2009 prior to the London G20 summit and again in New Delhi on 3 June 2009, and the first time at the leaders' level in Yekaterinburg on 16 June 2009). It was also a joint Russian-Chinese initiative to start discussions on the possibility of introducing the new, more reliable global currency (the SDR) to guarantee the world against the periodic rise and fall of the US dollar.

2010

The G8 and the Heiligendamm Process

The five major developing countries (Brazil, China, India, Mexico and South Africa) have been invited to attend specific parts of summit meetings in recent years and were first known as the (G8) “+5” at Gleneagles in 2005. In the run-up to the Heiligendamm summit in 2007, the German hosts preferred to change the designation to “Outreach 5”. The five countries formed their own “G5” around the time of the 2008 Hokkaido summit. The Japanese and German hosts, respectively, of the Hokkaido and Heiligendamm summits have accepted the “G5” designation.

Chancellor Angela Merkel, in preparation for the German-hosted G8 in Heiligendamm, announced at the World Economic Forum in Davos in January 2007 the wish to deepen the integration of the “05” (which has since become “G5”) into the summit process. That summit created the so-called Heiligendamm Process (FTP) which, however, coexists with the continuing G5.

Both formats (G8 + G5 and G20) are likely to remain, at least for the time being. But the HP example and experience are definitely helpful in the further evolution of ideas for the structure of global governance.

How does the HP work? Recognizing the need to involve the most important developing countries in the decision-making process (or an attempt to thus get the G5 countries’ consent to the line elaborated by the “geriatric” developed nations), Angela Merkel suggested a new structured, topic-driven dialogue with Brazil, China, India, Mexico and South Africa. The decision on the FIP was fixed in the G8 declaration on “Growth and Responsibility in the World Economy”, and further on with certain modifications — due to discontent of the “05” countries with the non-consultative manner of the previous documents — in the “Joint Statement by the German G8 Presidency and... Brazil, China, India, Mexico and South Africa”. HP rests on four main pillars: promoting and protecting innovation; enhancing freedom of investments by means of a transparent investment regime, including encouragement of socially responsible behavior of business; energy, especially through increasing energy efficiency and fostering technological co-operation in order to reduce CO₂ emissions; and better co-operation and co-ordination in the field of sustainable development, particularly in Africa. The FIP’s primary duration is two years, with an interim report that was submitted to the 2008 Hokkaido summit and the final results achieved to be reported at the G8 Summit in L’Aquila, Italy in 2009. The Germans as initiators of the Dialogue decided to allocate 5.5 million euros to the project (Cooper, Antkiewicz 2008).

The G5 emerging economies are against discussions within HP of the postulate of “equal conditions”, since there is no consensus on this matter among the participants. Their view is that apart from protection of investors’ interests it is vital that interests of the countries that are recipients of those investments should be taken into account. Another problem raised by the G5 is that developing countries themselves often run into limitations on investments in the western markets.

G5 countries also took great interest in corporate social responsibility issues, pointing out that discussion should be based on United Nations initiatives; for example, the *Global Compact Governance Framework* of September

2005; *The Ten Principles of the Global Compact* of June 2004; and *The UN Norms on the Responsibilities of Transnational Corporations with Regard to Human Rights* of August 2003, rather than the OECD *Guidelines for Multinational Enterprises*. It is to the latter that the G8 turns for the elaboration of those principles.

Moreover, G5 countries believe that market mechanisms do not constitute the sole panacea for the development of innovation processes, and that positions outlined in the G8 Heiligendamm final documents on intellectual property rights (IPR) are inherently opposed to their interests. They also hold the view that attention has to be shifted to the issues of strengthening institutional capacities, undertaking explanatory work and preparing qualified personnel in this field. As well, discussions on IPR protection should be balanced by commitments by the developed countries to transfer technologies and services to the developing countries at reasonable prices.

On energy security, G5 countries believe that this should also be included in the discussion, putting forward a Chinese initiative formulated on the sidelines of the St. Petersburg G8 summit. The energy efficiency issue thus could be complemented with the use of alternative and renewable sources of energy, such as wind, solar, geothermal, tidal, hydro-energy, PHV and bio-fuel.

This G5 suggestion is supported by Russia, which in turn put forward the idea that energy security issues be discussed based on the provisions outlined in the G8 St. Petersburg declaration on *Global Energy Security*. As a result the revised Concept Paper of January 2008 regarding HP states that “the dialogue partners will include in their discussions relevant aspects of energy security as contained in the Summit Declaration of St. Petersburg as well as proposed by the G5, focusing *inter alia* on enhancing mutually beneficial cooperation on energy development and utilization as well as capacity building for using demand side management energy systems”. Support for the relevant working group is provided by the IEA, focusing on sustainable buildings network, enhancing energy efficiency in the field of power generation, alternative sources of energy and renewable energy.

Silvio Berlusconi of Italy, the host of the 2009 L'Aquila G8 summit, has agreed to the idea of US President Barack Obama to hold within the G8 framework one of the nascent series of the Major Economies Meeting on Energy and Climate. This meeting is to have a wider scope than the G8 + G5, with Australia, Egypt, Indonesia and South Korea also present. The Major Economies Meeting series began in September 2007, convened three times in 2008 (the third time, on the last day of the Hokkaido Summit, at the leaders' level),

and three times so far in 2009, with a third meeting held in Mexico late June and a fourth (at the leaders' level) scheduled at the time of the L'Aquila G8 summit in Italy. The newly adopted name of this gathering is Major Economies Forum.

The nucleus of the pillar of sustainable development (particularly in Africa) is reaching the Millennium Development Goals (MDGs), with the major focus on increased efficiency of aid to Africa in order to advance its sustainable development and to eradicate poverty. The G8 and G5 countries (apart from Brazil, but this is subject to change), adhering to "The Paris Declaration on Aid Effectiveness" adopted in March 2005, also reiterated the commitments undertaken. The remaining G5 partners committed to fulfilling MDGs believe that it is vital to expand the list of topics for discussion, including questions of creating new sources of financing development, debt write-offs, and undertaking a course of unified policy on trade, investments and the appropriate financial system.

The EU — G8 Relationship

The European Union's relationship with the G8 has had a complicated history that goes back before the G7 itself was formed in 1975. During the years 1973-1975 when the G5 (France, Germany, Japan, the UK and the US) finance ministers held a series of secret meetings, the then European Community (EC) expressed its discontent at being excluded from the discussions as a single body, rather than being represented separately by only three of its member states. Italy's last-minute admission as member of the G6 club of leaders, starting with the 1975 Rambouillet summit (it only became G7 in 1976, when Canada joined) was a partial solution to this problem.

A fuller remedy was obtained with the official participation of the EC, beginning with the 1977 London G7 summit. At every summit since then, the EC (later European Union, EU) was present at the leaders' table. The EU has had an unusual position in the G7 and G8; it is a member but not a member state. Thus, the EU cannot host a summit, and therefore cannot shape the summit agenda that the country leaders have as annual G8 presidents. In all other respects the EU has been a full member of the club; it has its own sherpa and takes part in the preparation and conduct of the summits, participating in all discussions including political topics. It also participates in the meetings of ministerial for a and other subsidiary G7 and G8 bodies (but it was absent from the meetings of G7 finance ministers before 3 October 1998). The EU is particularly active on issues where its members act collectively. The EU is always

represented at G8 summits by the Commission President; in years when the European Council is chaired by a country that is not a G8 member, the President of the Council is also present.

The EU has been a full member of the G20 from the inception of the latter. This applies both to the G20 finance ministers' forum and now to the G20 leaders' summits.

Many G8 reform proposals involve the EU; particularly those proposals that call for a single representation for the EU as a whole, or for the euro zone. Such proposals are discussed above, particularly in the section "Other Reform Proposals".

Where Do We Go from Here?

The present state of affairs makes it clear that the world faces several choices of possible development of the global governance system. The reform proposals reviewed and analyzed in this chapter allow several alternative scenarios to be sketched.

Expansion of the G8. The many proposals along this line include, among others, Sachs's 1998 G16 formula incorporating the G8 plus eight developing countries with democratic governance. Brzezinski's 2009 idea also calls for an expanded G8 which, however, would coexist with a G2 of the US and China as most relevant to geopolitical realities. Many others would wish to see the G8 absorb the G5 as full members. At the 2009 L'Aquila summit in Italy, host leader Berlusconi also invited Egypt as a participant in the G8 + G5 part of the discussions, and even characterized the result as the G14. It is not at all certain whether this formula has a chance to persist or whether G5 members appreciate this addition.

Survival of the G8 + G5 formula. The G5 countries remain rather dubious of their relationship with the G8. It is an open question whether the G5 would push for joining the G8 (and whether the G8, on its part, would invite them to be full members). The G5 may rather choose to engage with the G8 as a collective entity. Quite possibly, the G5 countries prefer, and feel more comfortable in, the G20 — a grouping that is not only more representative of geopolitical and economic realities than the G8, but is also a forum that has accommodated diverse systems of government as members. The G5 faces a dilemma between the attraction of membership in the powerful G8 nations' club and, on the other hand, problems from possible association with the rich "Western" or "Northern" G8. The question of identity as developing countries plays a part in all this. If the G20 summit proves inefficient, then the G8 + G5, or

even G13 format could prove to be rather attractive and beneficial for the same reasons for which half of the G8's members are fond of their forum: with UN reform halting or at a deadlock, the "G8 +" formula offers a unique opportunity for those not holding a permanent seat on the UN Security Council to significantly increase their power and have a strong say in shaping the architecture of world governance. In this view the G8+ is increasingly seen to be the most important mechanism of global governance, albeit complimentary to the UN.

Coexistence of the G8 and the G20. Found, for example, in Dobson's 2001 formulation. A joint article by prime ministers Gordon Brown and Silvio Berlusconi, written just before the London G20 summit, also stipulates such a trajectory (Brown, Berlusconi 2009).

The G20 replacing the G8. This was the preferred scenario of the L20 project (although it acknowledged two other possible trajectories: incremental expansion of the G8 and coexistence of the G8 and the L20). Edwin Truman's 2004 formulation also advocates such an outcome.

Replacement of the G8 by some other grouping or G8 coexistence with such groupings. Among the most interesting proposals along these lines is that of Kenen, Shafer, Wicks and Wyplosz, calling for the streamlining of European representation in the G7 by establishing a G4 of the US, the euro zone, China and Japan. This would include a substantial part of the G7 but leave out Canada, Russia and the UK — hardly an outcome that would be acceptable to those omitted. The Stephen Roach proposal is a variation on this theme; it would establish a new G5 with the US, the euro zone, China and the UK, thus leaving Canada, Japan and Russia out in the cold. Other variations include Colin Bradford's G12 or G18, and Aslund's G13 (the present G8 + G5) or G12, without Mexico. George Haynal's "G-XX" posits a "G" of the present G8, plus the present G5 (possibly without Mexico) and an indeterminate number of others from Africa, the Middle East, Southeast Asia and so forth. This would coexist with the G8. An interesting variation on this theme is the 2009 proposal of the Stiglitz panel that would establish a council of 20 to 25 members under the aegis of the UN.

The G2 concept. This has been suggested in various proposals over the years. For example, Edwin Truman would want a G2 of the US and the euro zone, to coexist with the G20. Bergsten's 2004 paper argues the same way. More recently (as in Brzezinski 2009, referred to above), the US and China have been mentioned as a G2 configuration. It would seem that these proposals imply acknowledgement of a long-established process of bilateral and

plurilateral negotiations that have become routine, often around the G8, and now the G20, summits.*

Variable geometry. This would see the G8 continue as the core of discussions while leaving appropriate room for wider participation, depending on the topic on the agenda and involving various combinations of the G8, the G5, the Major Economies Forum, the Heiligendamm Process, BRIC, and other groupings. On the day of the London G20 summit, 2 April 2009, Italian Foreign Minister Franco Frattini wrote an open letter to the Rome newspaper *Il Messaggero* advocating just such a process. Frattini argues that “thanks both to its format and to its method, the structure of the G8 summit is still extremely valid today and that its flexibility will allow it to spawn an advanced and strategic model in support of world governance”. He then states that the La Maddalena (since changed to L’Aquila) G8 summit “will be a clear illustration of a variable geometry structure based on the dossiers under consideration”. Thus, he forecasts that the summit will begin with “an initial meeting of the ‘historic core’ group of countries”, and that this will be followed by a joint discussion of items on the summit agenda by the G8, the G5 plus Egypt. Finally, there will be a meeting which “will be opened up to a representative group of African countries as well”. He adds that “[i]t is policy goals, more than anything else, that should suggest the formats”. This “evolved” G8, as he terms this format, will be able “to respond to real political-economic needs in a rapidly changing world” (Italy 2009). This “variable geometry” may turn out to become the preferred format.

The question of efficiency versus representativeness is a constant in reform-oriented debates: the smaller the group, the more efficient it is likely to be — but smaller groups lack adequate representativeness. Some might consider that the new G20 summit is too unwieldy to be efficient, although it is unquestionably much more representative of geopolitical realities than the G8. Of course, even the G20 is not completely representative — to achieve that, it would, at the extreme, have to grow to the universality of the UN with its 192 members (“G192”).

And here is a final thought. History does not repeat itself the same way twice, but there are apparent parallels between recent developments in the G8/G20 and the early history of the G7. The latter started with a series of G5 finance ministers’ meetings, then evolved into leaders’ summits, first as G6 in

¹ The authors are grateful to Jenilee Guebert for drawing attention to this interpretation.

1975, then as G7 from 1976 to 1997, and finally as G8, with Russia starting in 1998. The original G5 leaders met on the margins of the 1976 Puerto Rico G7 summit. The G5 finance ministers' forum survived in parallel with the summits until 1987 when it faded away, yielding its place to the G7 finance ministers' forum. G7 leaders continued to meet at the time of summits until the 2002 Kananaskis G8 summit. The G20 forum now exists on both the finance ministers' and the leaders' levels. It is possible that some version of this progression will once again play itself out.

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Chapter 8

EU as a Leading International Player

Mark Entin

The European Union is a new and unique player on the international scene. There is not and has never been anything like this in the history of mankind. Applying ordinary or traditional approaches to it does not make sense, nor does it really help to understand its role in international affairs and its conduct in the international arena. However, until recently, most politicians and international experts were doing just that. And the results are well known. A number of catch phrases and bywords have enriched world folklore and serious studies, reflecting an utter lack of understanding of the essence of the phenomenon and unwillingness to sort things out.

There are two most popular jokes which usually travel from one presentation to another. The first is said to belong to Henry Kissinger. As the US State Secretary, he asked for a telephone number to be used in case of emergency or crisis for contacting the European Community (European Union).

The second is rather a collective creative product which claims, quite seriously though somewhat teasingly, that the EU, having long become a world economic giant, has yet remained a political dwarf. And its common foreign and security policy is claimed to be neither common, nor foreign, and even no policy at all. In all major international developments, crucial for the world at large, it played a secondary role and revealed a conspicuous inability to act. It happened so always, starting with the Suez crisis and up to the recent wars in the Balkans and the Middle East.

But it has not been true for quite a long time as many things have changed. And still there seems to be no will to get rid of disrespectful characteristics of the EU...

In fact, the strange situation in which the EU has found itself may be better described by the following simple story. Imagine a roadster race, Tour de France, Girga d'Italia or any other, at any of the stages. Some strongest and toughest racers are breaking away from the peloton. It is not far from the finish. And suddenly one of them (with the EU logo on the T-shirt) feels that that's the end. He is breathless, exhausted and cannot go on, almost on the

verge of collapsing right on the road. But the rider knows that the others have covertly taken some “bio-stimulants”, perhaps he has seen it before...So, he begs for help, pleading them to give him some doping drugs. And they do give him a tablet. He swallows it, and it works miracle! In a minute, he is back to life and off he goes, twice as fast as before. He overtakes the others and finishes first. After the awarding ceremony he runs up to them asking for more doses to be used in future. And they are laughing in response saying: “It’s just a matter of your mental state. We gave you a “void” tablet, a placebo. It had an impact not on your muscles which are O.K. but on your brain!”

The placebo which Brussels invented for itself at the turn of the new millennium, and on the eve of an ill-prepared and hasty expansion, was a constitutional process with its unclear goals. The old EU members placed their stakes on designing and accepting the Treaty which would lay down a Constitution for Europe (i.e. for the European Union). But it was a miscalculation. The idea was rejected at the referendums in France and the Netherlands. The Treaty on the reform has become a second attempt, more humble and less ambitious.

The EU drastically needed reforms, it is true. The institutions should be better adapted to new conditions, new realities should be taken into account and the entire integration mechanism was and is in need of re-adjustment. But Brussels wanted more. It got convinced that all the problems could be resolved at once (like in the 1950-s, when it hurried to create “on the sand” a failed defense and political union). It wanted to launch a constitutional revolution and to proclaim a postmodern super-state with all the appropriate attributes in order to act less conspicuously but more efficiently, instead of making a standard choice in favour of the policy of “small things”, introducing small, consistent and interrelated changes, at which it has been much more successful.

The truth is that the European Union does not require deep transformation. It does not need any basic restructuring or inventing a new philosophy of integration, or changing the principles of its functioning. What it does need, is shifting priorities, modernizing the current policies and adapting itself to tougher and merciless rules of globalization. In other words, it is high time to give up demagogy. It is necessary to learn to understand and defend its own interests, which means using more efficiently its enormous inherent potential and natural advantages.

The European Union has long become a super-powerful holistic entity. The attempts to call it, or compare it to, a super-state, or an empire, can only create confusion and are, in fact, pointless. The EU is entirely different, and it has no analogies, which does not make it weaker or helpless. As to self-identification,

there is a long way to go. The same is true of realizing its responsibility for expressing common and global, and not private and sometimes vested, interests. Brussels is not yet mature for this.

And there are no guarantees that it will cope with the intrinsic and complex contradictions and will survive in the struggle for global competitiveness. The problems to be addressed by the EU are different in principle from other leading world players'. And Brussels often views it in a distorted way. Neither does it succeed in viewing itself extrinsically.

However, such a look at the European Union as a leading international player from outside is particularly needed. Therefore, it is indispensable to analyze the specific features of the EU without haste, step by step, in order to understand its legal framework for its external economic and political functioning, to study major directions of its external activities and policies and to get a glimpse of the future of this unique integrated entity.

EU Special Features

It must be stressed once again that the European Union is really a strange and incomprehensible political creature. This is how it defines itself. The European Union consists of hundreds and thousands of contradictions. None of its features can be assessed unequivocally as negative or positive. They should merely be diagnosed correctly.

What must be borne in mind is that the EU has a very complicated internal structure. The EU process of generating ideas, preparing decisions and decision-making, as well as decision implementation and review, is different from other major international players, be it states or international organizations. The rational and the irrational reveal themselves in various ways. Many processes are hidden from observation and take place at the levels of governance which are actually monitoring them. They may also be caused by the factors which are not obvious at all.

This creates problems for the European Union itself, as well as for its partners. They do not have a clear idea of whom they are dealing with or what they have agreed upon, who is responsible and for what, what can be expected in future etc. Thus, an indispensable feature of the EU conduct, as well as of the structure of its ties with the rest of the world and major international players, is its variability. It is really difficult to predict EU actions and to forecast how the relations with the EU will develop. The EU conduct internationally is consistently aimed at promoting its interests and is rarely counted among its merits.

EU without Borders

One encounters strange things right from the start, or from what other leading international players take for granted and as a strictly defined constant, i.e. certainty about the borders and basic importance of state sovereignty.

Formally, the European Union consists of 27 sovereign states. They are all full-fledged members of the Union. Their total territory makes up a single EU territory. Citizens of member-states are EU citizens and have additional rights granted by EU citizenship. The external borders of member-states make up the common EU border with the rest of the world. The internal borders have been mostly done away with.

However, it is not that simple. Political and geographical borders of the EU are not stable. They may change at any moment. The EU has not yet finalized the area of its living space. We can only make guesses as to where the external expansion may stretch. The final decision on its external borders has not yet been taken by Brussels and by the 27 capitals. Some states would like to proceed with it, while others would rather draw a line somewhere. Some believe that the European Union has gone too far with the integration. Others would like even more. The signals sent by various inner forces are quite contradictory.

Thus, the Balkan policy has long been considered as internal. The absorption of the sub-region is just a matter of time. It will start with Croatia and will proceed till all the Balkan countries become members of the European community. In April 2009, accordingly, Albania submitted an application for accession.

The EU has designs for Moldavia, Ukraine, Belorussia and even the Transcaucasia. In any case, Brussels is actively making passes at the political elites of these countries. Their dreams of joining the EU are skillfully encouraged. Under the Lisbon Treaty any of them can claim membership if the political and economic criteria are met. The neighbourhood and Eastern partnership policies take care of the compliance with these criteria. Being European countries, they conform to the legal and geographical criteria a priori.

As to Turkey, the Rubicon seems to have been crossed. The country has been given a candidate status. And still, at the current pace, the negotiations may last endlessly.

The EU Southern borders don't seem to present any problems. Israel has been persuaded out of acceding. The most developed countries of Northern Africa which took the risk of applying or preparing for it have been recommended to withdraw the applications and cool down. But it is not that simple either, there are some subtleties

The EU seeks to involve the entire Mediterranean region, including the Black Sea basin, and to impose its values and standards on them. Historically, the former colonial states, now EU members, used to dominate there. Their cultural and political influence is really great in the region regarded by the EU as a natural ally. It is a source of raw materials and cheap labour, also making the EU younger. Sustainability and accelerated development of the Mediterranean region is vitally important for the EU.

All recent EU initiatives to create a Mediterranean Union are imbued with such considerations. In principle, such plans may certainly be assessed as utopia. But one cannot help seeing their yet unrealized potential. The EU can use its natural advantages which other major international players lack, such as a large set of integration measures, easy to use and at its disposal. And this is quite a lot.

The belt of stability and neighbourhood which the EU is seeking to create is not the only goal of integration. The EU is making a point of positioning itself as far as it can reach, proposing its own patterns of state and law construction and the established model of social and economic development to individual countries and groups of countries which tend to “flock together”.

After the alternative offered by the Soviet Union had vanished and the US messianism had been seriously discredited through excessive use of force, it seemed that the future of the world was to be European. However, quite recently the EU got an unexpected and smart rival in the competition for becoming a role model and, accordingly, in the fight for markets, as well as for economic and political influence. In terms of soft force, the EU started yielding not to Washington but to Shanghai consensus.

Lack of Internal Uniformity

When the Cold War ended the European Union made a difficult political choice in favour of external expansion. Thus, it actually gave up, for the time being, hopes for further integration. Brussels did not reject it but it just did not succeed in it. And it started along the avenue of extensive development postponing other more ambitious plans for future. The expansion was fruitful on the one hand, but on the other, a lot has been lost.

The EU received extraordinary political dividends and won the gratitude of peoples having completed the mission of uniting Europe. It extended the space of individual freedom, stability and prosperity as far as Central, East and South-East Europe. In return, he got access to enormous and underestimated assets (i.e. bought it up cheap), a new endless area for safe capital in

vestment and cheap, culturally similar and skilled labour force. The common market expanded greatly. And the EU population reached 450 million people. Brussels received an enormous valuable prize.

But the integration community lost its major merit. It was no longer uniform and cohesive. It absorbed nations with almost non-compatible historical backgrounds. Now it unites people who have different values and behavioral attitudes.

The “twenty seven” now is not what the original “six” or “twelve” or “fifteen” used to be. This is an entirely new political and economic space which is much more difficult to organize and to manage as there are too many member-states.

One may think that all member-states are alike as they belong to a single European culture. But even within the same culture there is a great diversity. The European community includes now the Scandinavian people with their own Northern mentality. It also has South-East Europe with a very different outlook. The EU stronghold has always been Germany which has always given priority to law and order and prefers better organized and more predictable relations. Bright colours are added to the picture by the highly emotional Mediterranean countries with their thousand-long history. The picture is really varied. It contains everything: conspicuous contradictions, as well as richness and diversity of cultures, so important for development...

But it comprises not just different countries and nations. There is a great disparity in the levels of historical, economic and political development because the income of the rich EU members is 35 times as high as that of the poorest ones. The gap is too large. And the diversity presents great problems for the European Union: how to align different vectors of interests and bring them to agreement, how to harmonize economic relations without destroying the economies of individual countries and concurrently develop the entire economic space, as well as where to find so much money. On the other hand, it may be considered an advantage, as within a large common market comprising millions of individual and collective consumers regions with different levels of development, resources and specialization can supplement each other. Skillful use of these advantages is instrumental for de-localisation of production, re-channeling financial flows and encouraging labour migration without taking them out of the common economic space. And within the space, it is possible to seek for the best economic solutions.

The diversity is an obvious disadvantage, putting it most diplomatically, in the external area as well. Each member-state, or a group of states, has its

own, sometimes diametrically opposed, interests, like in the case of Iraq's invasion, for example. It is not always possible to bring them to a common denominator. Thus, Spain seeks to involve more and more Latin American countries in cooperation. For Finland, the Northern dimension is closer. Greece is engrossed in the Balkans. And the countries of this sub-region have their own agenda, while metropolitan countries impose on the EU giving priority attention to the affairs of their former colonies etc.

Great powers, EU members, have global ambitions. They seek to establish EU presence across the planet. They are personally involved in all the major international processes. Some of them meet in the UN Security Council, others are striving for it. Not a single important international format of cooperation or interaction of limited composition (like, for example, G 8 or G 20) can do without them. The same is true of special structures for settling most acute international conflicts and problems. One can recall the initiative of the leading EU "troika" on Iran and a specially designed negotiation format created by them. On the contrary, for most of the member-states, and primarily for Central European and Baltic countries, an absolute priority is EU positioning as a regional power. They come out for active involvement of their direct and indirect neighbours in the EU activities and for bringing them closer to the integration community.

There is a great variety of interest groups in the EU. While Old Europe is ready to criticize the USA and to compete with it for world influence, the New Europe acts as an active medium for the USA influence which brings the latter tangible dividends: US support helps them to have more weight and independence in the EU affairs. The founding states would like to build up the EU independent military capabilities and develop command and control structures. The newcomers tend to consider it rather as a threat. The major continental powers are struggling to retain a privileged position in energy for their transnational corporations and to confirm their leading positions in world economy having a free hand to act. Those states which depend on external energy supplies are stubbornly imposing on others a transfer of competence to supranational level with the support of the European Commission. The EU members who modernized the structure of their economies and staked on new economy and market de-regulation insist on further globalization and liberalization of international trade. Those whose population is largely engaged in traditional and classical manufacturing sectors are not against balancing the freedom of trade by reasonable protectionist measures. Different countries are differently affected by the problems of legal and illegal migration, separatism,

international terrorism, organized crime etc. The examples are numerous and could be cited endlessly. And there is also a traditional division between “Euro-enthusiasts” and “Euro-skeptics”, advocates of a people’s union and supporters of a union of states etc. Thus, the range of different interests and positions within the EU is enormous.

Therefore, the EU is not able to achieve consensus on various foreign political and economic issues. Frequently, it comes up late with important decisions or even gets paralyzed. Its position may be badly articulated or unclear. Sometimes, it so happens that the caravan of member-states is dragging slower than the slowest camel. Instead of a single voice we hear a stunning and badly tuned chorus. Other international players tend to neglect the EU standpoint on certain issues of the world agenda.

But there is the other side of the coin. The variety of interests results in the EU being interested in a large range of issues and regions. It is ready to pursue an active foreign and economic policy in all directions. Working for and promoting their private priorities, individual EU countries can be supported by the consolidated power of the entire integration community and often resort to it (or even abuse it). When the EU does succeed in reaching a decision which is to everybody’s liking and in elaborating a unified plan of action, it usually proceeds with their implementation consistently, uncompromisingly, stopping short at nothing and giving priority only to its own benefit. And how to get what it wants, the EU knows well, making up a powerful fist used in its relations with third countries which very few are able to resist. In such cases the EU also manifests incredible coordination of actions and distribution of roles.

Lack of EU uniformity, as well as diversity and urgency of problems, give rise to another phenomenon which is usually hushed up in the studies of the European project. European integration came about largely because Western Europe had to counter a common enemy. No less than Robert Schumann and Jean Monet, Stalin, in a way, became a “Godfather” of integration processes on the opposite side of the continent, though an evil one. Even now, a search for an external enemy remains ideal for EU solidarity. In turn, Brussels tries for this role either international processes and phenomena which are hostile for Europe, or individual countries, religions and cultures (though it has never been admitted). Concurrently, pursuing a tough and uncompromising policy in the international arena, Brussels is seeking to make up for its internal looseness.

Making member-states hostage to the common and agreed line on the international scene or to private interests of one or several countries is just a

secondary instrument in the palette of EU consolidation tools without which one cannot imagine the EU now.

Solidarity Factors

The factors of EU member-states solidarity, in varying degrees, are: the same geographical location, common historical background, cultural heritage and political values, close interests and hope that the community will neutralize contradictions and reinforce international competitiveness. Though they do not explain why West European countries, now joined by most other European nations, have succeeded in their integration project. They could have lived in peace, prosperity and conciliation without testing new forms of organization for coexistence fraught with losing independence and sovereignty, as well as yielding power to each other. The organizational solutions tried and tested by them have not taken root elsewhere. The integration project has become irreversible thanks to a special and unique legal order, qualitatively new political culture of common decision-making and implementation and joint management of sovereignty.

Supremacy of Legal Provisions

The European Union is at a time an extravert and an intra-vert. It implies that the EU obviously and consistently is separating itself from the rest of the world creating external borders along the perimeter of the entire community and a legal space regulated by its own internal mechanisms different from international ones.

Accordingly, the relations between member-states, as well as with the subjects of member-states' internal law, are more and more regulated by the EU law. In case of collision of the national legislation and the EU law, only, and exclusively, the latter applies. It is applied by all national, administrative and judicial bodies. Individuals and legal entities use it directly to establish their legal relations.

It is not allowed to resolve disputes over the issues falling within the EU competence by the bodies set up on the basis of common international law. Which international agreements have a direct effect and directly apply in the EU territory is decided by the EU proper. How the member-states will implement their international obligations falling under the competence of the integration community is also determined by the latter.

At the same time, the EU seeks to propose a regulatory framework of existence for its partners and the rest of the world. This became particularly

pronounced in 2008-2009 during the world financial and economic crisis when the EU member-states came out for stronger regulating role of law and convention mechanisms in world economy and for putting in order the activities of all and any financial institutions. And it concerned not only the extension of the basics of law domination to financial markets implying control, transparency, responsibility and strict compliance with the rules but also the elaboration of appropriate documents. Brussels is confident that it is the right time for embracing the initiative. Its projects of national, supranational and international legislation should be put on the negotiation table and no one will be able to neglect them.

The EU has established a network of relationships supported at the regulatory level practically across the whole world. They are described by the agreements on the customs union and free trade zones, on association, stabilization, partnership and cooperation, on common and single spaces, etc. Cooperation and interaction based on them are of conditional nature, which means that certain conditions should be met for a third party to get benefits from cooperation and interaction. This implies compliance with the rules of the game set by Brussels, including the recipes of the approved legal prescriptions. The only country which did not agree to the conditionality of relations with the EU was Australia. It refused to include in the agreement with the EU a standard clausula which the European Union multiplies in its bilateral relations. As became known, Brussels did not have enough levers for exercising pressure on Canberra. All the others assumed obligations to go, more or less, along the way of harmonizing their national legislations with the EU law.

It is worth clarifying why regulatory aspects are so important. It is the EU regulatory nature and regulatory features that make it so distinct. The EU is not just an economic or social and economic community, nor just an economic and monetary union. The EU functions through law and on the basis of law using legal instruments. All political, economic or any other solutions are shaped as EU legal norms and are executed as norms of law, and not because of their feasibility or a political setup. They are endowed with a force of law, and the entire power of law enforcement of national states is available to provide for them.

All the diversity of countries and such a varied geographical, economic and political space are integrated through, and thanks to, common law. Particularly zealously the EU cares about its uniform application. No staggering and tottering typical of international law is allowed. The EU is well-equipped with excellent, tried and tested, structures, procedures and mechanisms. Even

more important is that supranational law and national law make up a single whole. Consequently, the EU legal norms are guarded by the national subjects of law whose interests are served by the integration law better and more efficiently than the national law. And the interests consist in the day-to-day use of the advantages of the common market and freedoms it is based on.

Thus, the EU provides for the promises and agreements of the supranational level to be actualized in the member-states' internal law. Without this, it cannot and is not going to exist. And the actualization in the member-states internal law is either uniform, or similar and comparable. This is the meaning of EU legal harmonization. The common law is ramified and layered, modern and efficient, covering all areas of activities under the EU jurisdiction and it enables the EU to address the super-task set for it. Through this, the common market becomes effective and very fruitful, beneficial for business, EU citizens and member-countries. The important thing is that the accumulated experience of creating a common market by legal means is widely used for creating common market analogues in various promising areas of activities, from education to mutual recognition and execution of court judgments, all that is covered by the concept of freedom, security and justice space.

Political Culture of Solidarity

To be qualified as a legal community is not sufficient for explaining how the European Union succeeds in weakening its strong centrifugal forces, coping with heterogeneity and resolving internal conflicts. Another component of the success is a specific political and legal culture nurtured by it.

It is not enough to have state-of-the art laws. It is crucial to make them work. It is not enough to create objective prerequisites for the united actions. It is necessary that united actions should become routine practice. It is fine to lay down the basis for coordinating foreign economic activities and foreign policy and to set the organizational framework for consolidating the efforts in this direction. But much more is needed to implement it. There should be readiness to make concessions and a political will to sacrifice individual ambitions and interests, consistently aiming at specific results. In a word, it is an appropriate political culture that is required.

Such a culture is needed for the member-states and all EU systems to proceed from a definite set of principles. The member-states, as minimum, do not allow their private national interests to prevail over the common interests of the other countries and subordinate theirs to the common interests, work for identifying these common interests, articulate them and consistently defend

and promote them. In parallel, they seek to make use of the advantages of individual countries and groups for the common good.

An example of efficient combination of high individual and collective political culture in the process of integration is the smoothness of accession to the EU by Sweden, Finland and Austria which occurred in 1995. Before this, several times running, the European Community had accepted economically less developed countries which had just got rid of authoritarian yoke. The Northern countries and Austria compared well with the most advanced members of the European Community. And their values did not differ at all. Besides, they made a tangible contribution to the EU economic potential. And they in no way damage its homogeneity. On the contrary, they made integration even more sustainable.

And still, outsiders are outsiders. It usually takes them a lot of time to master the traditions of the core member-states, to perceive common imperatives and to comply with foreign legal practice. Therefore, though the newcomers had to meet very high standards, their arrival may have affected the discipline and quality of decision-making. But it had not happened. The EU managed to avoid a traditional temporary malfunctioning due to acclimatization when the common denominator of decisions-making is usually getting lower.

The Northern countries at once brought an added value to the EU internal policies and international activities.

They gave the EU and the world an environmental agenda, enriched the European model of social and economic development with new elements and introduced to the world the concept of sustainable development. Other EU members had their own preferences. At first, they considered the proposals by the Nordic countries a superfluous burden for their national producers. But in the final analysis, the Northern members got their way and all the other member-states had to accept their approaches. Protection of the environment became a horizontal requirement for any type of EU activities and its major foreign policy priority. The common economic and foreign policy was agreed upon on the basis of the highest and not the lowest standards.

The EU political culture of mutual concessions and compromises in accordance with the highest standards, and not a common denominator, had long been regarded as a "specialty of the house" (this compared favourably with other classical international organizations which were not, typically, making any headway). One of its ingredients is a formula according to which the member-states are working together if they are interested in cooperation. If not, they do not interfere with others. The EU founding documents envisage

a lot of mechanisms of integration at different pace, and they are actively used.

Though, regretfully, one has to admit that the political culture, having emerged in the EU over decades, has now seriously degraded. At the accession negotiation stage, New Europe supported Old Europe in all its initiatives unconditionally. The latter got convinced that it will last forever. However, on acquiring EU membership, New Europe got its own voice. And it turned out that the new members do not always agree with everything that exists in the practice of the European Union. It is not an axiom for them that they should sacrifice something for the sake of others. They have got their own vision of the ways and aims of European integration. They had been restraining themselves for so many years not just to give up their individualistic plans and intentions.

One can recall how much more problematic the accession negotiations between the EU and Turkey had become after the EU accepted Cyprus. The relations between the twenty seven and Russia have not stabilized yet. And the saga of the Constitutional Treaty and the Reform Treaty will be remembered by Old Europe for a long time. In both cases, Warsaw demanded to retain the privileges which it had got under the Nice Treaty, presumptuously promising to block the approval of the documents and to disrupt the emerging consensus.

By late 2009, the EU framework gave rise to a fundamentally new situation: the initiative of formulating ideological and foreign policy orientations was partially shifted on to the Baltic countries and Poland, as well as countries supporting them. They proposed their own interpretation of the solidarity principle and the way the emerging balance of interests within the EU should be counted. And still, vehement individualism, blackmailing and obstructionism, minority rule, coercion to reject reasonable and rational steps under the pretext of a distorted slogan of solidarity should be acknowledged as a temporary failure in the evolution of EU general political culture.

European integration has always been strong because of its positive programme. A negative one cannot facilitate progress. It can only contribute to losing a soft force and to weakening international competitiveness. The sooner Brussels refuses to move at the speed of the slowest camel in the caravan, the better for the EU and for the third countries which are disposed in its favour and are seeking to establish partnership relations with it.

Another “hoop” drawing the EU heterogeneous space in like a barrel is a partial transfer of sovereign powers by the member-states up to the supranational level. Logically, yielding sovereignty should imply that the states become in a way flawed. As they are no longer fully legally capable on the international scale, they lose self-sufficiency and, to a certain extent, control over their internal and external policy.

In the case of the EU, this logic does not work. The transfer of some sovereign powers to the supra-national level does not impoverish but enriches the member-states. They yield a part of their sovereignty and get in return dozens of “parts” shared with them by their integration partners. As a result, they get engaged in joint management of numerous sovereignties, reinforcing each and every member-state, opening up new prospects for them and enabling them to use the cumulative integration potential for achieving common and individual goals.

In this perspective, the major EU bodies, called its institutions, act as managers administering the sovereign powers delegated to them. Today and tomorrow of the European Union depend on their professionalism, leadership qualities, and ability to appropriately formulate tactical and strategic targets and to replace or coordinate the efforts of member-states. Brussels and other capitals have long been focusing on their re-adjustment to meet the needs of the European Union of three dozens of states and to adapt to a new competitive international environment. This will be done after the Lisbon treaty becomes effective. So far, more fragmented palliative methods have been used. They consist in conducting gradual, and not always visible, point reforms using the recipes tried and tested by the Constitutional and Lisbon treaties and in restoring political and legal culture, as well as the culture of management.

The transfer of sovereign powers by the member-states to the supranational level, creation of supranational structures to manage them, mastering of the acquired powers and development of appropriate practice between various management levels entail complex, even intricate, vertical and horizontal symbiotic links. That is why the EU is perceived by all, internally and externally, as an extremely complex entity. However, it is the hierarchy, multiplicity, durability and flexibility of the links and their mutual support and complementarity that make the integration community highly sustainable and dynamic and the European project irreversible.

There is a strong internal logic in the enormous diversity of the ligaments drawing the community into a tight knot. The EU is endowed with four types

of competences. In other words, the system of relationships between the member-states, between the member-states and EU institutions and between the EU institutions proper, is made up of several model ranges. In the areas of EU exclusive competence the states no longer perform any regulatory functions which are completely transferred to the supranational level. In those areas where the EU has a mixed competence, the states and the EU act jointly. The states retain regulatory functions but they can use them on their own as long as they have not reached agreement on a single legislation. When such legislation enters into force the states lose their regulatory functions and become a kind of an agent for enforcing common legislation. In the areas where the EU has only supporting competence, the role of the Union is reduced to helping the member-states in multilateral cooperation, assisting them but not interfering in administering regulatory functions. Finally, if the EU is entrusted with a parallel competence, it can replace the member-states any where without preventing them from playing an independent role and acting individually. Legislative mechanisms are not used in this case. The role of the European Commission is weakened. Control by the European Court of Justice is not envisaged. The factor of political will becomes critical: when the EU has exclusive competence, negative consequences of the conflict of interests are actually prevented from coming into play. Political culture of decision making and execution becomes much more important.

A parallel competence is used for establishing ties in foreign, security and defense policy. The European Community had exclusive, mixed and supporting competence. Under the Reform Treaty they are inherited by the European Union. Cooperation of the police and judicial bodies in combating crime involved the use of instruments of interstate and supranational level. The new treaty envisages its communitarisation.

With the Lisbon Treaty coming into force, the EU horizontal structure consisting of three different pillars will sink into oblivion. Cooperation of the police and judicial bodies will lose its uniqueness. It will be regulated the same way as the common market is. But most of the special features of foreign, security and defense policy will be retained. And all this despite the fact that the European Community will swallow the other two pillars and will be renamed "the European Union" and will become a legal successor of itself. This is the gist of what will happen. Formally, it will look the other way round: the Community will stop to exist and only the Union will remain.

But what really matters is that the supranational nature of integration will be reinforced. Supranational ties will become more diverse. Their share and

importance in the overall balance of ties within the EU will grow. The system of institutions and their work will be restructured accordingly. As a consequence of all these purposeful changes, the factors acting as tightening devices for the EU loose heterogenic space will become more efficient. The EU will be able, to a greater extent, to come out as a single whole, including in the international arena.

Legal and Institutional Deformations in the Organization of Foreign Activities

An EU major weakness in the international arena of which it has always been reproached is believed to be the disunity of its foreign economic and foreign political activities. Research papers also regard it as something taken for granted which does not require any proof. The EU political elite consider it an obvious shortcoming as well.

In fact, there is no, and cannot be any, Chinese wall between what the EU is doing internationally in the foreign economic and foreign political spheres. Experts and politicians exaggerate the problem, intentionally or not. The disunity verdict is an established one and no one questions it. Researchers are accustomed to study the EU external activities and its common foreign and security policy separately. These two areas are even referred to different specializations. For politicians, state officials of various levels and EU leadership the disunity is a convenient excuse for their inaction and failures at the international level as it is believed to have shaped so historically. The member-states were not ready to give up more of their sovereignty that is why compromise solutions were taken in the past. The European Union was denied international legal standing. The Union was created in a way that the European Community was merely supplemented with new spheres and directions of the policy. But the Community and the Common Foreign and Security Policy were combined only formally. No union or merger actually happened.

All this is sheer nonsense. The Community and the Union have a single institutional structure. The Maastricht Treaty authorizes the EU Council and the European Commission to coordinate all activities irrespective of their sphere. The Council on General Issues and Foreign Policy consisting of foreign ministers considers foreign economic and foreign policy issues in the same format, just changing the hats. In practice it is absolutely impossible to separate them.

Here are some examples. The EU has brought to the fore the environmental issues. This is its business card in foreign affairs. It is promoting it by purely

political means, through political dialogues with third countries and in international organizations. But the basis of the EU environmental foreign policy is purely economic. The Kyoto Protocol is written to this end. And with this in view, a totally new global market has been created for trading in carbon emissions quotas.

Extremely politicized is the EU external energy strategy, as well as the whole concept of energy security. In the name of energy security the EU takes economically ungrounded and very costly decisions to diversify the suppliers of hydrocarbons and energy sources, to build by-passes and alternative trans-continental pipelines etc. And it is guided by primarily global, as well as political and strategic, considerations. But the energy plans promoted by it become consistent only because the EU is writing new rules of the game (the third gas package) and is creating a common market for importing, producing, transporting and distributing electric power and hydrocarbons.

Here is an example from a different sphere. The EU is confronted with an acute problem of combating organized crime, illegal drug trafficking and illegal immigration, as well as of migration flows regulation. The problem can be solved, even partially, only through broad and efficient international cooperation. The EU is urged to engage in such cooperation by all countries with which it is developing trade and economic interaction and to whom it provides technical assistance, though only on its own terms. And the connection is obvious. Moreover, it is directly stated in the new generation of agreements concluded by the EU and third countries. Assistance and benefits from the access to the vast and attractive EU market are provided on condition of compliance with the requirements to limit emigration to the EU, to change legislation and law enforcement practice etc.

And still, there are grounds for complaints that the EU foreign policy and foreign economic activities could be much better, that they lack coordination, that something must be changed and that it is high time to introduce reforms. They are related to the fact that the EU is wearing two hats: it acts as a supranational body in the economic sphere and as an intergovernmental one in the foreign policy. And the gap between the two is nearly impossible to overcome. It is difficult but possible as the EU has got appropriate and robust procedures which have been tried and tested.

The gap is due to the fact that the foreign policy and foreign economic activities are implemented using different methods, procedures and management systems. In its foreign economic policy, the EU resorts to supranational tools. Supranational integration law is used as a legal basis for its actions.

All actions are enrobed as law. The EU proper comes out as an integration community. Accordingly, natural and legal persons, along with the member-states, become the subjects of law which regulates foreign economic activities. The difference between external and internal commitments becomes blurred.

As to the common foreign and security policy, the situation is different. Common principles, targets, strategies and positions accepted by the EU are binding only for the member-states. They do not have intra-state dimension, they are not law and are not binding for individuals.

In Common Foreign and Security Policy priority is given to the vertical management framework. The European Council and the Council of the European Union are dominant. The European Commission plays a subordinate role. The European Parliament has an advisory vote. The Court of Justice is taken out of the game. The EU interests are represented by the presiding state which is assisted by the High Representative for Common Foreign and Security Policy or in accordance with the Lisbon Treaty by the permanent president and much more powerful High Representative. The decisions on all major issues, except for the concretization of what has already been agreed upon, are taken by consensus.

There is no vertical in the foreign economic sphere. The decisions are taken, as a rule, by a qualified majority. The driving force is the European Commission. The positions of the European Parliament are rather strong. They are being reinforced at a fast rate. The Court of Justice may be involved in exercising control over the legality of any actions and agreements.

The difference is striking. The important thing which explains it is that the member-states have given up a great, though limited, part of their sovereign powers in foreign economic, primarily foreign trade, activities for the common use. Though they have not, more or less, lost their regulatory functions, in certain cases they have lost them completely. The mechanism is as follows. According to the legal support concept, the EU has all the competence outside which it has within and which it needs for achieving the goals set, in particular, those related to creating and functioning of the common market. In the areas of EU exclusive competence, and when in areas covered by mixed competence common supranational legislation is effective, it prevails and prohibits member-states to adopt competitive regulatory acts individually. In those cases when it has already happened the EU is entitled not only to act and to act along with the member-states but to replace them or to brush them aside.

It never happens in foreign policy where there is no and cannot be any exclusive competence. The states have endowed the EU with almost limitless powers in foreign and security policy. But they have not lost their own and have not given them up. They are still playing quite an autonomous role on the international scene and act in parallel with and beside the EU. Therefore, the member-states seem to retain all their powers, and concurrently they are vested in the EU institutions. Consolidation of efforts becomes an imperative for both, the member-states and EU institutions. The common foreign and security policy is implemented by the coordination method which excludes, in principle, subordination of one state to another or a supranational level of management.

The differences in regulating and organizing foreign economic and foreign political activities create a lot of problems for the EU and member-states. They face a problem of choosing the best solution all the time. The following simple example can demonstrate it. Suppose that the EU is elaborating a policy in respect of an "X" country which is situated in tropical Africa. The country has gone through a civil or inter-ethnic war. As a consequence, it is full of weapons. To bring it back to peaceful life, the EU intends to buy out the weapons from individuals and to annihilate it. A similar method has already proved efficient. It has been tried more or less successfully in other places. The European Commission and a group of member-states come out with the initiative. The European Commission suggests doing it within the framework of the technical assistance programme, and the group of states insists on carrying it out under the auspices of the Common Foreign and Security Policy. The difference consists in the following. If the technical assistance is chosen, the money is taken from the EU regular budget. The decision is taken by a majority of votes. All the functions for its execution are concentrated in the hands of supranational institutions. If a group of states succeeds in imposing their approach on the others, the decision is taken (or not) in accordance with the requirement of unanimity. And they have to look for the money needed for its realization. The Council of the EU and interested states retain full control over what is going on.

Thus, it turns out that it is not a matter of what to do or how to do it but a matter of distribution of influence within the EU. It may seem to be sheer technicalities. But they matter a lot for the EU. They predetermine the internal efficiency of the community, its ability to smooth over conflicts of interests and to turn the perpetual problem of conciliation of sovereignty from weakness into strength.

There are always certain political forces behind political and foreign economic decisions, tactical steps and the choice of strategy. The EU mixes them. It pretends to be anonymous. It claims that its position reflects common interests. In fact, there are always players, primarily non-state ones, for whom Brussels's position and actions are more beneficial. It is sometimes easier and sometimes more difficult to identify them. But they are always there.

Meanwhile, a set of EU foreign economic and foreign political priorities are of statutory nature. They are laid down in its founding treaties. Among them, there is protecting and promoting the interests of the EU as a single whole, spreading the EU common values across the world and achieving a set of standard goals like peaceful relations in compliance with the UN Charter and even prosperity for all, as well as a fair international order.

In its foreign activities the EU used to give priority to eliminating all the barriers impeding the world trade and to the freedom of competition. In practice the EU had always pursued a pragmatic policy. It actively subsidized its own producers, particularly in agriculture. It tried to tie up the developing countries to itself using non-economic methods. It did not hesitate to close its internal market when deemed feasible. It has supported of late a system of measures designed to impose strict national control over foreign investments in strategic sectors. On the initiative of Nicolas Sarkozy, freedom of competition was taken off the list of the EU objectives in the Lisbon Treaty. Thus, the emphasis is placed primarily on a free access to the markets of third countries while having a free hand to protect its own market from undesirable competitors.

In the 1990-ies, the EU proclaimed sustainable development as a major foreign economic slogan. Brussels did its best for it to be included in the world agenda and to be reflected in the most important documents of international forums and organizations. Under the banner of sustainable development the EU succeeded in taking up leading positions at all international negotiations on economic issues. Its model of social and economic development was supplemented by the quality standards of economic growth which implied at a time less pressure on the environment. Sustainable development is considered by Brussels, tactically and strategically, as a major competitive advantage. Recently the EU started interpreting environmental issues broadly. Brussels has engaged all available forces to organize a broad international front for combating climate change.

Another area where the EU is positioning itself as a world leader is development aid. The EU is a major world donor. It allocates up to 20% of the total contribution by its member-states to the development aid programmes. Actually, its role is even more important as in most cases it acts not on its own but as a coordinator. Its aid and technical assistance are conditional. Of late, the terms and conditions for the recipients have been changing. Brussels believes that external assistance will be efficient only when the recipients are trying to help themselves. And it is difficult to judge how efficiently the money received is used. Opinions vary a lot on this point. The only thing is certain: Brussels is becoming more and more jealous watching China actively promoting its interests in developing countries on the basis of development aid.

In the political agenda the EU attaches priority to non-proliferation of weapons of mass destruction and local and regional conflicts settlement. The EU let slip India and Pakistan the same way as the United States. Though, unlike the latter, Europeans were simply unable to preclude nuclear ambitions of Asian giants. Now Brussels is building up efforts to prevent proliferation of weapons of mass destruction and missile technologies. It is involved in all major negotiation formats. It is actively working with Iran and closely watching what is under way in North Korea. It has prepared articulated proposals for improving the Non-Proliferation Treaty regime. However, the EU is not the number one player in nuclear weapons. And the nuclear club members are not afraid to evade the EU.

The EU is much better at settling local conflicts. It has conducted more than a dozen and a half civil and military operations on various continents. All of them were successful, though very limited contingents were engaged. Thus, the EU and its member-states have gained unique experience and have worked out procedures, interaction schemes, logistics and management by objectives. The EU is especially good at conducting post-conflict rehabilitation in affected countries, and not only because Brussels allocates impressive sums of money for this. It has a clear idea of what should be done for the central and local authorities to start working in a normal way acceptable for the West. The EU seems to be very willing to transfer this experience over to the post-Soviet space. Not without the New Europe countries influence, Brussels is ever more insistent on its involvement in the current settlement formats. It has already come to Georgia, most likely, to stay.

The large regional conflicts setup is worse. The EU does a lot in the Middle East in the economic plane. It is a part of the Middle East "Quartet". It has

privileged relations with Israel, as well as with Arab countries, it launches foreign political initiatives and conducts secret negotiations. And still, having recognized the US indisputable leadership, it has to play secondary roles everywhere. Moreover, the EU bears solidarity responsibility together with the USA for what has happened in Iraq. Securing peaceful life in Afghanistan is becoming a hard trial for it and for NATO. The EU image as a leading international player and its international standing will, to a great extent, depend on how it will cope with this task.

The importance of the Mediterranean dimension, Eastern partnership and neighbourhood policy has already been stressed in the paper, now it is worth discussing in brief the geographical component of the foreign economic and foreign political hierarchy of priorities in the EU activities.

The most important partner of the European Union is certainly the USA. This is number one priority for the EU. The USA is not just its strategic partner, but the only truly reliable ally. Formally, the allied relations are secured by the North Atlantic Treaty. It is also worth mentioning the Transatlantic Charter as a bilateral instrument. Though, fundamentally, neither the EU, nor the USA needs any contractual commitments for their special relations. They are replaced by massive mutual investments, economic merger, enormous volumes of mutual trade, common interests, US military presence in Europe and homological legal orders.

Nonetheless, when Germany recently presided in the EU, the latter came out with the initiative of creating a common North Atlantic market. The institutions for serving mutual consultations were updated and the sectoral dialogues were launched. After Barak Obama took office in the White House in 2009, the EU came up with a proposal to elaborate and conclude a large scale treaty with the USA and to create a ramified institutionalized mechanism of engagement and coordination.

It is hard to believe that such ideas will be realized. The USA considers disadvantageous for itself to develop relations with the EU countries as a single entity. It is content with the way it has arranged it in NATO in which all EU countries are represented on an individual basis. The EU is not legally constituted as a group of states, and the USA can work with each of them individually. And this works well for the USA taking into account their different classes of weight.

The EU — US relations are certainly far from ideal. The regular trade wars are not worth mentioning at all. This is a trifle. The EU has not been content with the US financial policy over the last decades. Brussels is extremely

dissatisfied with Washington's tendency to unjustified use of force in international affairs. It resents the unilateral approach to various problems and unwillingness to consult the EU, which is regularly manifested by the USA. The EU has a long list of tangible claims to Washington. The former would like the USA to accede to the Kyoto Protocol, to ratify the Rome Statute of the International Criminal Court, to abolish death penalty and so on... A bilateral treaty is needed for the EU to switch the relations onto the legal field, with which it is much better familiarized, to impose on the US self-will numerous restrictions and to make the bilateral economic ties more efficient. But the USA has also got a lot of claims to the Europeans. The most important thing is that Americans regard Europeans as "white hands" afraid of hard work of imposing order on the world and seeking to shelter behind their back. And yet, whatever the psychological background, there is no alternative to the close EU — US union. This is, among other thing, the reason for the ecstatic "obamania" that swept EU citizens after the change in the US Administration.

Since not long ago China has ranked second in the system of relations between the EU and the external world. The trade turnover between China and the EU grew up to 400 bn euros in the period before the crisis, though it was developing in an irregular fashion. The EU deficit of the balance of payments in the trade with China is maintained at the level of 150 bn euros. But the EU has no doubts that China means extraordinary opportunities, it is an extremely promising market and it is necessary to establish long-term and stable co-operation with it.

However, China is not an easy partner. The EU does not know what kind of policy should be pursued towards it. There is no unity among the states in this respect. Moreover, some of them are actually excluded from participation in the policy elaboration. The political agenda is determined by the "heavy weight lifters"... And the others have to adjust to it. Economic interests in expanding ties with China also vary. But the differences in the positions are not confined to that. Actually, China defies the European model of social and economic development. It forces member-states to adapt faster to the changing conditions of competition in the world. However, they cope with it differently. One group of member-states (with Great Britain at the head) proposes to shut down the outdated production enterprises, to orient towards high technologies only and not to be afraid of Chinese exports. They claim that it is necessary to run up the technological staircase higher and higher, for China not to catch up and get ahead, and then to do utmost to accelerate technological

development. And it is out of the question to liberalize international trade. Others (for instance, Italy and Germany) are scared by mass unemployment in the traditional economic sectors. They explain to the others that the economic structure will be rational and sustainable only if all the sectors, and not just high technologies, including labour intensive, with relatively low or medium added value, are retained and supported. And China should not be turned into an only world factory. The EU should continue to be such as well.

One has a strange impression of how zealously the EU is courting China and how the latter is responding to it. The European Commission has issued about a dozen Communications related to the policy towards China. It has repeatedly suggested that the member-states should introduce new and newer specifications, should diversify and extend the ties and use more varied instruments of the relationship. China condescended to officially formulate its policy in respect of the EU with great delay. And Beijing did not hurry to respond immediately to Brussels' proposal to draw up a large basic treaty for the rapidly developing ties. Thus, it is the EU who sought to establish close political ties with China and to institutionalize bilateral relations, in particular, after the United States had normalized relations with Beijing and agreed upon regular political consultations.

The general pattern of interstate interaction is now as follows. There is a hierarchy of contacts, a political dialogue at all levels and about 30 sectoral groups covering all major areas of economic and political cooperation, from industrial property protection to human rights. The EU and China have been working on the basic strategic partnership agreement for a number of years. The document should replace the traditional agreement on cooperation and trade. But the tonality of communication between the EU and China is changing dramatically. Brussels seeks to take up tougher and tougher positions on economic issues, in particular on those related to intellectual property protection and access to markets, though without tangible results so far. It stubbornly works for the Tibet autonomy issues and human rights to be included in the agenda in order to justify by any means the embargo on the military equipment supplies introduced long ago and in completely different conditions.

So, the conclusion is that the EU values primarily the relations with these two powers, the USA and China. In the official documents Brussels counts among his strategic partners also Japan, India and Russia. But the scope of relations with them is much narrower.

Interaction with the countries of Asia, Africa and the Caribbean Sea figures largely on the EU agenda. The EU seeks to tie them up to it politically

and economically and to introduce its own model of social and economic development and state and law construction there. The EU renews the agreements on association on a regular basis making them ever more comprehensive and intensive. The agreements are asymmetric. They give to the developing countries a preferential regime, access to the EU common market, a status of the technical assistance recipient and possibilities to get involved in the EU policies, programmes and projects.

Not to a lesser degree it is beneficial for the EU proper and for its member-states. They secure the situation in which Brussels is sort of helping the rest of the world. It undertakes a "hard" mission of including the developing countries in the world economy and teaching them the ABC of democracy and rule of law. Together with them it works on overcoming poverty, improving state administration, modernization of legislation and law enforcement, combating corruption and so on and so forth.

The vector of the foreign policy and foreign economic activities and the guidelines mentioned above came into being not from scratch. They are the colonial legacy which was transformed by the EU and which had been created by the former metropolitan countries: Belgium, United Kingdom, Spain, Italy, the Netherlands, Portugal and France, i.e. by a great many EU leading countries. It was especially important for them, on becoming EU members, not to lose their influence in the former colonies and to shift the responsibility for their development on to the EU. It is surprising how well the EU has coped with it. The whole world is convinced that it is the former metropolitan countries exclusively that are to blame for the policy of colonialism and that the EU has nothing to do with it. And since the former metropolitans mostly do not act on their own but through the EU, the heavy burden of the past in their relations with the former colonies is lifted, including contradictions related to the economic claims for plundering the resources and extermination of the aboriginal population. And the legitimacy of their presence in these countries and of their influence is retained.

Political dialogues, economic interaction and institutionalized cooperation with the developing world make the EU a truly global power. But its external expansion is carried out strictly on the regional and geographical basis and not according to the zones of interests. The first thing it focuses on is managing the surrounding territories and establishing efficient control over them, or (using the politically correct EU terminology) creating a neighbourhood belt with all the benefits and advantages of integration. Until recently, the Mediterranean region, Middle East and North Africa were given absolute priority

by Brussels in this respect. After the expansion, a growing importance is attached to the East European countries, CIS, Trans-Caucasian states and even to Central Asia.

It is crystal clear why there are such trends in the evolution of the EU foreign policy and foreign economic activities. The EU core started considering new vectors of expansion after the EU borders had moved eastwards. New opportunities have emerged for it, and even more than that. The new Central European and South European member-states began lobbying it ever more insistently and dogmatically. They are extremely interested in using to advantage the economic and political might of the integration community in the relations with third countries bordering on them. And in this respect, the solidarity brought to the fore by the preceding EU development is taking on new and unexpected meanings.

As a result of all this, the EU Eastern policy is imminently running contrary to the interests of Russia. Over 2003 to 2009, the bilateral contradictions reached their peak. The brokerage role played by Paris and Brussels in August and September, 2008, in reaching an agreement on the cease fire terms after the attack of the Georgian Armed Forces on South Ossetia and Russian peacekeepers did not ease them in any way. It just revealed what had long been felt intuitively: the mechanisms of managing partnership and cooperation created by both parties did not work. They were rolling idle and were constantly failing. They should be replaced or re-adjusted. It won't do to manage the affairs as it used to be. It should not be so because it has no prospects. Because it is unlikely that undermining your partner's positions and demonizing the country wherever possible, one can truly believe that the policy pursued towards this country is really friendly and persuade the political elite of it. This political course, no matter articulated or not, should have been given up long ago. The same goes for Jacques Delors's concept of concentric circles launched in the late 1980-s. The harm inflicted by it on the EU-Russia relations can be hardly overestimated. According to the concept, the EU core is in the centre of the world order. All the other countries are perceived as concentric circles around the EU. They are ranked according to their position in them. The core is followed by the EU periphery as it used to be before the recent explosive expansion of the integrated union. After it goes the ring of the neighbouring countries along the EU external border. Then follow all the rest. For more than two decades this approach predetermined the policy towards Russia which had been formulated and pursued by the EU and the member-states on basis of the residual principle. At present, Brussels and Moscow are reaping the

fruits. Both sides will benefit if the paradigm is changed. And it cannot be otherwise as the EU-Russia cooperation potential is virtually unlimited. It remains to hope that the current negotiations on the new basic agreement will pave the way for its realization.

Looking into the Future

The European Union is already exerting a great influence on the global agenda and development, as well as on the resolution of the current international problems. The examples are environmental issues, sustainable development and combating climate warming. However, a number of Brussels' foreign political failures (the Balkan war, inability to prevent a systemic genocide in Africa, internal crisis related to Iraq) have produced a heavy psychological trauma. The EU political elite and member-states are convinced that the EU international activities could and should be more offensive and efficient.

The EU political weight in international affairs is much lower than its cumulative economic power. The elite lay the blame for it on bad management of EU foreign affairs, disunity of structures, volatility, lack of continuity and excessive decentralization. But in fact, it is not true, or not quite true. The reasons are not in the methods of managing foreign affairs. They arise from an objective clash of interests of the member-states in such a delicate area as foreign policy. They are associated with the parallelism of the activities of the EU and member-states in foreign policy and with the uncertainty in the transfer of sovereign powers to the supranational level. In the foreseeable future the uncertainty cannot be removed. The contradictions will remain. But Brussels intends to do away with the shortcomings in shaping and executing the foreign political and foreign economic course through improving the technology of conducting foreign affairs.

All the recipes considered by the EU for improving its international competitiveness and for reinforcing its international standing were spelled out in the Constitutional Treaty. After the idea of adopting it definitively failed, all of them have smoothly moved to the Reform Treaty. Basically, they are as follows.

The European Union obtains permanent presidency. Previously it has been changing each six months on a rotation basis. According to Brussels, the result was that the union would be tossed to and fro. Some states cope with the presidency brilliantly, others fail. Some are rated very highly, while others are really turning the EU into a political dwarf. And this has nothing to do with

the size or might of the presiding state. Thus, the recent French Presidency has been recognized as a role model. With Nicolas Sarkozy as President, Paris and Brussels succeeded in seizing leadership in settling the conflict in the Caucasus in August — September, 2008, in countering the first wave of world financial and economic crisis and in implementing numerous important and far-reaching initiatives. Italy is not much less influential in the world than France. Still, the Italian Presidency was assessed by most observers as unsuccessful and unproductive.

However, according to Brussels, this is only one side of the problem. The other is that all EU countries have different visions of the foreign policy and foreign economic policy to be pursued by the European Union. They have different ambitions and different priorities. That is why the EU is swaying to and fro. It turns to addressing some problems, then others. Each six months (now eighteen months due to introducing the practice of agreeing on the priorities by the three subsequent presidencies) certain problems are advanced and then set aside or shifted to the background of the EU activities in the subsequent period. Sometimes the EU does not know what to do with the initiatives supported before. It is suggested that the permanent presidency will provide for the continuity of foreign and foreign economic policy. It will rid the EU of hasty and ill-considered initiatives and will enable the EU to make foreign activities more respectable. Perhaps, it is the permanent president who will be entrusted with speaking out on behalf of the entire union. Practice will show if it will really happen or not because the permanent president will have a very powerful competitor.

The EU Minister for Foreign Affairs will involuntarily become such a competitor. In order not to evoke more passions, this position is named in the Reform Treaty seemingly as before. Instead of a minister for foreign affairs there is a High Representative. But this does not change the substance. He will have enormous powers in his hands. Retaining the status of a highest EU official responsible for foreign policy, he becomes concurrently a deputy chairman of the European Commission assuming the functions of the current EU Commissar for Foreign Affairs. The authors of the Constitutional Treaty and the Reform Treaty believed that the concentration of powers in his hands will facilitate doing away with the problem of disunity in foreign policy and foreign economic activities. The High Representative will deal with both at a time. As a result, the EU international activities, as suggested, will get, at last, the required integrity. Political goals will be reached by means of economic

levers. In its turn, the EU economic interests will be promoted through political methods.

Another advantage of this solution is that the High Representative, unlike what is in place now, will become a bridge between the two leading institutions of the European Union: the EU Council and the European Commission. They will work in a more coordinated and efficient way. Besides, in planning and executing foreign policy it will be instrumental to rely upon an enormous expert potential available in the European Commission and used only in the EU foreign economic activities. The only fact that all the EC delegations will be subordinated to the High Representative gives an idea of the qualitative leap which is theoretically possible in the organization of the EU international activities.

With the Lisbon Treaty coming into force, fundamentally new prospects will open up for reinforcing the EU foreign policy and foreign economic activities using a power component. Though it does not envisage creating the European Armed Forces, it will make it much easier to use it as a basis for modern military formations, well trained and equipped, ready to get engaged in any region of the world. Moreover, the member-states will be able to promote a structured cooperation within the EU framework. This means that those who can and wish to follow the avenue of military integration much further than now will be able to do it without hindrance.

The Lisbon Treaty envisages a lot of crucial changes in the very content. It is premature to make any assessments now and rather difficult to predict how they will affect the EU positioning internationally. At the same time, there are no doubts that in the foreign policy the EU will become a different entity, much more confident, tough and ambitious. Subsequent to the readjustment of relations between the EU and member-states and within the EU in this area, time will come for reconsidering all international activities of the integration community and for re-writing them in compliance with the ever growing potential of the European Union.

Chapter 9

The G20 and the European Union

Marina Larionova

If you build the present in the image of the past you will miss out entirely on challenges of the future’.

The first meeting of the G20 leaders originally set up as the finance ministers’ forum at the initiative of the G8 leaders² more than a decade ago in 1999 after the Asian financial crisis, launched a new phase of development both of the international financial architecture and the global governance system. The EU participation in the G20 has been full scale from its birth, unlike gradual inclusion of the EU into the G7 processes. The reasons are clear. The internal factor defining the EU influence in the G20 was the beginning of the third stage of EMU and adoption of the single currency. Success of the euro as the single and a second reserve currency, its establishment as a factor of the global economic and monetary system, defined the EU role in the G20.

This factor remains crucial at the current stage of the G20 development as the forum of the leaders. However, analysis of the EU input and impact on the two summits’ results allows to reveal “containing factors” in the EU institutional architecture constraining the quality and effectiveness of the EU global governance performance through the G20. First, the coherence and impact the institute of permanent Presidency would ensure is much higher than what can be achieved through the concerted efforts of the three rotating Presidencies³. This continuity and durability is essential! not only for forging consensus with

¹ Gordon Brown opened the G20 London meeting with this quote from Churchill: When I started the G20 meeting in London I said to the leaders who were there — and quoted the word actually, of Churchill: “If you build the present in the image of the past you will miss out entirely on challenges of the future”. Transcript and Q&A given by the Prime Minister at the Loughborough University on 20 April 2009, available at: [http:// www. number 1 Ogov. uk/Page 19061](http://www.number10.gov.uk/Page19061).

² Blair and Brown initiative.

³ Capacity of the country in the Presidency is certainly another vital factor. Compare the Check and French Presidencies, the latter haunted by the internal government crisis and awkward statements by M.Topolaneck.

the EU partners in the G20, but, most importantly, for building internal consensus in the EU, as a vital factor of effective common foreign policy. Analysis of the two summits and the EU input and impact into their outcomes provides one more argument in favor of permanent Presidency of the EU.

The Washington summit of November 15 2008 driven by the initiative of the President of France at the helm of the EU at the period and the European Commission (EC) President Jose Manuel Barroso⁴, was assessed as a historical event and undoubtable success by many heads of states and governments of the G20³, as well as by experts and international institutions. The Declaration and the Action Plan to implement principles for reform should not be underestimated, it “met hopes of almost all delegations. It does not mean it is ideal, or that it resolves the crisis, and brought a new configuration of financial relations in the world. But it is comprehensive, incorporates problems and propositions developed by a wide range of countries”⁶.

The final document represents the top of the multilevel negotiations iceberg and gives scarce material for assessing relative contributions of the stakeholders to the consensus achieved and their influence on the commitments forged. However analysis of the run up documents and facts allows to assume that countries with the virtue of shared positions (the EU, the BRIC) had advantages in the process, as well as the US as the host country. The EU utilized the advantage.

The EU stance was defined as “Agreed Language” in the outcome of the Informal Meeting of Heads of State or Government on 7 November 2008⁷. Building blocks of the common positions on collective and coordinated recovery programme measures have been systemic and multilevel.

⁴ “Fighting on all fronts: tackling the global slowdown and climate change”. Jose Manuel Durao Barroso President of the European Commission Speech. SPEECH/08/636, available at: <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/08/636&format=HTML&aged=0&language=EN&guiLanguage=en>.

⁵ President Bush Attends Summit on Financial Markets and the World Economy / G20 Information Centre. University of Toronto. 15.11.2008, available at: <http://www.g8.utoronto.ca/g20/2008-leaders-bush-081115.html>.

⁶ Press Conference on the Results of the APEC Summit / President of Russia Official Website. 24.11.2008, available at: http://www.kremlin.ru/eng/speeches/2008/11/24/1409_type82915_209638.shtml.

⁷ Informal Meeting of Heads of State or Government on 7 November 2008. Agreed Language / Council of the European Union, available at: http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressData/en/misc/103873.pdf.

Council Conclusions on immediate response to financial turmoil, economic slowdown and the situation on the financial markets and supervision adopted by the Economic and Financial Affairs Council⁸ paved the way to Presidency Conclusions reinforcing the EU commitment to “work with its international partners on a genuine, all-encompassing reform of the international financial system based on the principles of transparency, sound banking, responsibility, integrity and world governance”, simultaneously emphasizing that the initiatives on transparency, global standards of regulation, cross-border supervision and crisis management, will be carried out in consultation with its main partners and the relevant international financial institutions, and will be carefully prepared within the EU”⁹.

Concrete measures to ensure appropriate liquidity conditions for financial institutions to continue proper financing of the economy and enhancing cooperation among European countries were stipulated in the Euro Group Declaration on the concerted European action plan of the Euro area countries¹⁰. Thus within a very tight timeline and in spite of divergent positions the EU member states worked out common provisions on the priority issues of the Washington summit, many of which were reflected in the final Plan of Actions.

Measures on strengthening transparency and accountability to promote financial stability are in line with the EU objectives in this policy area aimed at strengthening financial stability and reflect the spirit of the October ECOFIN Conclusions and the letter of the Agreed Language. The principle that “no financial institution, no market segment and no jurisdiction must escape proportionate and adequate regulation or at least oversight”¹¹ clearly was

⁸ Economic and Financial Affairs. 2894th Council meeting. 07.10.2008.1378/08 (presse 279) SN 4750/1/08 REV 1 (presse) / Council of the European Union, available at: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ecofin/103250.pdf.

⁹ Brussels European Council 15 and 16 October 2008. Presidency Conclusions. 14368/08 / Council of the European Union, available at: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ec/103441.pdf.

¹⁰ Euro Group Declaration on the concerted European action plan of the Euro area countries. Summit of the Euro area countries. 12.10.2008 / The Official Web Site of the French Presidency in the Council of the European Union, available at: http://www.ue2008.fr/PFUE/lang/en/accueil/PFUEI_0_2008/PFUEI_2.10.2008/sommet_pays_euro_declaration_plan_action_concertee.

¹¹ Informal Meeting of Heads of State or Government on 7 November 2008. Agreed Language / Council of the European Union, available at: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/misc/103873.pdf.

registered in the Washington Declaration paragraphs on enhancing the quality of regulation.

Risk management package adopted by the G20 was most ardently promoted by the French President¹² and supported by the European Commission. The US Administration stuck to a more frugal approach¹³. The principle of a weighted regulation which would not impair the economic growth had been reiterated in all statements of the Bush administration. Ultimately, the US were able to maintain the tempered approach in the final document as emphasized by the Administration officials¹⁴.

Most members of the summit professed the theses that quality of international regulation begins at the national level. Most member states adopted unprecedented measures both to alleviate the crisis through supporting financial institutions and to implement institutional changes.

The EU established a system of coordination. The Economic and Financial Affairs Council decision set up a “European working group to assess more broadly the range of policy responses that might help mitigate undue potential pro-cyclical effects of the financial system”. The members also agreed “to make EU-wide common reporting formats for a single set of data requirements and reporting dates, to ensure an efficient and convergent supervision and to reduce administrative burden for groups, operational by 2012”¹⁵. At the Euro Group level procedure for coordination and information exchange between the member states governments, the EU Presidency and the Presidents of the European Commission, European Central Bank and Euro Group were tightened¹⁶.

¹² Introduction by the President of French Republic to the European Council Session on the Financial Crisis / The Paris Financial Markets Organization. 15.10.2008, available at: <http://www.pariseurolace.net/links/doc063934.htm>.

¹³ President Bush Discusses Financial Markets and World Economy / The White House. President George W. Bush. 13.11.2008, available at: <http://www.whitehouse.gov/news/releases/2008/11/20081113-4.html>.

¹⁴ Press Briefing by Senior Administration Officials on Summit on Financial Markets and the World Economy / The White House. President George W. Bush. 15.11.2008, available at: <http://www.whitehouse.gov/news/releases/2008/11/20081115-7.html>.

¹⁵ Economic and Financial Affairs. 2894th Council meeting. 07.10.2008. 1378/08 (presse 279) SN 4750/1/08 REV 1 (presse) / Council of the European Union, available at: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ecofin/103250.pdf.

¹⁶ Euro Group Declaration on the Concerted European Action Plan of the Euro Area Countries. Summit of the Euro Area Countries / The Official Website of the French Presidency in the Council of the European Union. 12.10.2008, available at: http://www.ue2008.fr/PFUE/lang/en/accueil/PFUEI0_2008/PFUEI2.10.2008/sommet_pays_zone_euro_dec

The European Council set up a new mechanism of the “financial crisis cell” including all the above institutions for assessment and exchange of data¹⁷.

Reinforcing coordination of all actors on the basis of common standards to overcome internal and transnational threats and restore stability is adopted by the Declaration as a pillar of future cooperation. Concerted actions are the focus of attention in all the EU documents¹⁸ which emphasize the need for multilevel coordination including the national and regional authorities and international financial institutions, the IMF, FSF and other international forums defining the standards of financial operations¹⁹.

President Sarkozy repeatedly stressed that all countries including developing one should be a part of the coordination, and eliminating grey zones is a key to success²⁰.

Reform of the financial institutions was the apex of consensus, however, G20 members propositions and approaches to the reforms differed. Reform of the international economic architecture according to the EU documents was based on strengthening and modernization of the old institutes: modernization of the IMF instruments and increase of its resources, establishing a working method to ensure a rapid progress towards reform²¹; mechanisms of information exchange and coordination while preserving the IMF’s central role in the new architecture²².

¹⁷ Brussels European Council 15 and 16 October 2008. Presidency Conclusions. 14368/8 / Council of the European Union, available at: <http://www.consilium.europa.eu/ueDocs/cmsData/docs/pressData/en/ec/103441.pdf>.

¹⁸ Informal Meeting of Heads of State or Government on 7 November 2008. Agreed Language / Council of the European Union, available at: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/misc/103873.pdf.

¹⁹ Economic and Financial Affairs. 2894* Council Meeting. 07.10.2008. 1378/08 (presse 279) SN 4750/1/08 REV 1 (pccsse) / Council of the European Union, available at: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ecofin/103250.pdf.

²⁰ Introduction by the President of French Republic to the European Council Session on the Financial Crisis /The Paris Financial Markets Organization. 15.10.2008, available at: <http://www.pariseuroplace.net/links/doc063934.htm>.

²¹ Informal Meeting of Heads of State or Government on 7 November 2008. Agreed Language / Council of the European Union, available at: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/misc/103873.pdf.

²² Informal Meeting of Heads of State or Government on 7 November 2008. Agreed Language / Council of the European Union, available at: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/misc/103873.pdf.

The Declaration went beyond the sphere of financial policy and regulation, committing the members to refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing World Trade Organization (WTO) inconsistent measures to stimulate exports²³. The leaders also pledged intention to strive to reach agreement this year on modalities that leads to a successful conclusion to the WTO's Doha Development Agenda with an ambitious and balanced outcome and instructed their Trade Ministers to achieve this objective²⁴. Thus the Declaration trade policy commitment is in line with the EU stated priority of promoting free trade through the rapid conclusion of the Doha Round²⁵.

It can also be assumed that the EU influenced the subsequent pace and rhythm of the reform and the G20 process: "A period of 100 days starting on 15 November should be used for drawing up measures to implement the principles that have just been restated. At the end of that period, we will propose holding a new summit with three items on its agenda:

- a report on the implementation of the initial measures adopted on 15 November;
- a set of new decisions taken to implement the principles adopted on 15 November to improve the regulation of the financial system;
- a set of proposals on the international economic architecture to enable current
- and future macro-economic challenges to be met"²⁶.

Thus it can be concluded that not only the impulse for this Summit came from Europe²⁷, but the EU was able to exert influence on the Washington G20 leaders' meeting outcomes. Member states came forward with a common position affecting the summit results. The Spanish and Dutch delegations present representing the EU alongside with the European Commission while

²³ Declaration of the Summit on Financial Markets and the World Economy. 15.11.2008, available at: <http://www.g20.utoronto.ca/2008-leaders-declaration-081115.html>.

²⁴ Ibid.

²⁵ Informal Meeting of Heads of State or Government on 7 November 2008. Agreed Language / Council of the European Union, available at: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/misc/l03873.pdf.

²⁶ Ibid.

²⁷ Jose Manuel Durao Barroso. Fighting on all Fronts: Tackling the Global Slowdown and Climate Change / Globalisation Council. Lisbon. 21.11.2008. SPEECH/08/636. Europa. Press Room. Press Releases, available at: <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/08/636&format=HTML&aged=0&language=EN&guiLanguage=en>.

President Sarkozy's delegation was formally representing France was a case showed of the European solidarity²⁸.

The New Global Deal

Spontaneous character of the Washington G20 changed radically in the run up to the April the 2nd summit. The causes of this shift are rooted both with the further exacerbation of the economic and financial situation, the impulse from Washington decisions, and transition of the G20 presidency to the UK.

The UK Prime Minister Gordon Brown undertaking a roll over system of measures to overcome the crisis in the country, consistently promoted the principle that national actions can not be adequate and managed to embed his imperatives on the financial institutions reform and international cooperation for regulation and stimulating economic activity²⁹ into European and global approaches on the way to the Washington summit consensus.

Transparency and accountability, better banking practice, integrity and international co-operation, including establishing international colleges of regulators, convergence of accounting standards, reviewing executive compensation schemes that encourage excessive and irresponsible risk-taking, disclosure of toxic assets and reform of credit-rating agencies, have been part of the Labor anti crisis package and have been promoted by the Prime Minister at all levels. It must be said that Gordon Brown had fully used the summit potential for domestic policy governance, that is legitimizing and enhancing effectiveness of the national policies through the instrument of international collective decision making. As none of the other leaders he had been able to balance in his statements and propositions the objectives of countering the crisis and developing the global agenda for the future³⁰. As we have seen from

²⁸ The latter does not mean though that president Sarkozy was prepared to yield his positions as a leader defining the course of the regional and global processes development even with the hand over of the EU Presidency competencies and functions to the Czech Presidency.

²⁹ Speech to the Lord Mayor's Banquet / The Official Site of Prime Minister's Office. 10.11.2008, available at: <http://www.number10.gov.uk/page/7419>.

³⁰ PM broadcast on financial stability programme / The official site of Prime Minister's Office. 09.10.2008. available at: <http://www.number10.gov.uk/Page/7138>.

Speech on Global Economy / The Official Site of Prime Minister's Office. 13.10.2008, available at: <http://www.number10.gov.uk/Page/7161>.

the previous overview the EU has been no less ingenious in harnessing the success of the G20 potential for the Community governance.

Preparation of the second G20 summit was a process boiling with expectations, events, ambitions, experts' recommendations, political statements, member states' position papers, reports of the international organizations and working groups, other preparatory documents. In the end of January Prime Minister Brown in his speech at the Foreign Press Association skyrocketed the level of rhetoric: "This is an international economic hurricane sweeping the world and lashing our country but we are taking action to calm the storm, to bring order out of chaos. Britain is better placed to benefit as the storm passes, as pass it will. We will succeed, but only if we leave behind yesterday's solutions and reshape our international institutions for the challenges of today and tomorrow"³¹.

The thrust of the summit objectives zooms to a historical choice level: "History is not destiny, it is the sum total of the choices of each generation.... we now need the widest possible international agreement on how to proceed to the next stage as we focus on the London G20 Summit at the start of April. The priorities I believe are clear"³².

Leaving high rhetoric aside concrete lines of action to build "international financial system for the 21st century"³³ include, first an early warning system, monitoring of the international financial flows and systemic global imbalances. As a first step building upon the platform of the Financial Stability Forum the framework for international governance with its membership widened, its role newly defined and cooperation with the IMF and the Bank of

Speech to Business Leaders /The Official Site of Prime Minister's Office. 27.10.2008, available at: <http://www.number10.gov.uk/Page17303>.

Doorstep on the Economy / The Official Site of Prime Minister's Office. 28.20.2008, available at: <http://www.number10.gov.uk/Page17317>.

Speech in Doha / The Official Site of Prime Minister's Office. 02.11.2008, available at: <http://www.number10.gov.uk/Page17364>.

PM's Words on EU Council / The Official Site of Prime Minister's Office. 07.11.2008, available at: <http://www.number10.gov.uk/Page17385>.

Doorstep with Mr Ban Ki Moon / The Official Site of Prime Minister's Office. 13.1.2008, available at: <http://www.number10.gov.uk/Page17475>.

³¹ Economic Crisis Needs International Response / The Official Site of Prime Minister's Office. 26.01.2009, available at: <http://www.number10.gov.uk/>.

³² Ibid.

³³ Ibid.

International Settlements put on a clearer and stronger footing a new institutional foundation for international governance should be established.

Secondly, to overcome regulatory deficit in the world where capital flows are global, and regulators national, Prime Minister proposed “to agree a new era of global cooperation and coordination so that we have a common set of principles and new rules for a world of global capital flows. [At the G20 in April we should seek to] discuss the charter of principles that would guide financial regulation and supervision and one which we can all follow. [Under this we need to] bring into the regulatory system non-bank financial institutions and complex new markets and products”³⁴. The third ambitious objective claimed to agree transparent standards of corporate governance, including an international standard of best practice for financial institutions.

The fourth line of action aims to ensure that the International Monetary Fund and other financial institutions are playing a bigger role in crisis prevention as well as crisis management, possess capacity for lending to replace private sector flows and thus to enable the restructuring of the domestic financial system in many countries. And finally aid to development should remain a priority on the agenda with an enhanced role for the World Bank increasing the lending to vital infrastructure, environmental and poverty reduction projects, and providing an active cyclical boost to the global economy.

Responsibility for development and commitment to the Millennium development goals constitutes an unconditional priority of the UK Presidency of the G20, part of the new global deal. The Prime Minister has been consistent in underlying that Official Development Assistance (ODA) should remain on top of the international institutions’ and the G20 cooperation and the London summit ought to lay foundation for a new global deal, and “it must be one that continues to form the basis of our international policy for years to come. It should underpin the next G8 meeting in Italy, the climate negotiations in Copenhagen, our review of the Millennium Development Goals in 2010, it should herald a new era of rights and responsibilities that it is incumbent on each of us... to develop and fulfil”³⁵.

³⁴ Economic Crisis Needs International Response / The Official Site of Prime Minister’s Office. 26.01.2009, available at: <http://www.number10.gov.uk/>.

³⁵ Transcript of a Speech Given by the Prime Minister to a Conference on World Poverty Held by the Department for International Development / The Official Site of Prime Minister’s Office. 09.03.2009, available at: <http://www.number10.gov.uk/Page18554>.

Commitments to the development aid in the face of crisis were reiterated in his speech to the African leaders³⁶, and in the pre G20 briefing³⁷. Brown's initiative work with the World Bank and the G20 partners to build support for a new fund to help the world's poorest through the downturn was supported by the EU³⁸. Development cooperation, including the MDGs, post-conflict support, food security, disaster risk reduction and health enter the chapter of cooperation on non-traditional security threats³⁹.

The agenda for the summit seemed to be expanding incessantly in the course of further consultations and inclusion of more and more stakeholders in the summit preparation process. Building global low carbon recovery objective stated by the Prime Minister in Davos⁴⁰ and recommended by the Global Competitiveness Forum⁴¹ entered the debate and consultations process and stuck for awhile replenished by new issues reflecting the strife for resources and possibilities for future growth.

Rejecting protectionism and trade policy coordination remain an undeflecting priority at all stages in the run up to the summit. Prime Minister Brown underlies commitment to free, fair and open trade in international forums and national debates claims the imperative to sign the Doha agreement — that will

³⁶ Transcript of a Speech to African Leaders Given by the Prime Minister at Lancaster House /The Official Site of Prime Minister's Office. 16.03.2009, available at: <http://www.number10.gov.uk/Page/18639>.

³⁷ A Transcript of a Briefing on the G20 for Foreign Media given by the Prime Minister / The Official Site of Prime Minister's Office. 23.03.2009, available at: <http://www.number10.gov.uk/Page/18739>.

³⁸ Supporting Developing Countries in Coping with the Crisis. Council Conclusions. 2943rd External Relations Council Meeting / Council of the European Union, Brussels, 18 May 2009.

³⁹ Joint Statement by Gordon Brown and Australian Prime Minister Kevin Rudd on Strengthening the Strategic Security Partnership between the UK and Australia / The Official Site of Prime Minister's Office. 31.03.2009, available at: <http://www.number10.gov.uk/Page/18860>.

⁴⁰ Building the Global Low Carbon Recovery / The Official Site of Prime Minister's Office. 30.01.2009, available at: <http://www.number10.gov.uk/Page/18201>.

⁴¹ Open Letter from the Global Competitiveness Forum to the Leaders of G20 Member Countries / Maktoob News. 29.01.2009, available at: <http://business.maktoob.com/NewsDetails-20070423207849-Open-Letter-from-the-Global-Competitiveness-Forum-to-the-Leaders-of-G20-Member-Countries.htm>.

feature on the G20 agenda — and need to ensure that every country is analyzed by the WTO on what it is doing to prevent protectionism⁴².

Compliance with the Washington summit to avoid measures inconsistent with the WTO provisions and reach a successful conclusion to the WTO's Doha Development Agenda with an ambitious and balanced outcome⁴³ was in the ball of all eyes. The World Bank, the EU member states, the International Monetary Fund, and the World Trade Organization proposed to introduce regular monitoring of trade restrictive measures. The WTO Secretariat at the initiative of Secretary General Pascal Lamy undertook a monitoring exercise and published two reports presenting results of the analysis⁴⁴, though refraining from making assessments.

The EU and its member states reiterating their commitment to the principle of fair and open trade at all forums, including the Berlin 22nd February meeting of the leaders of the six largest economies of the EU, the informal summit of the 1st of March and the European Council meeting, have undertaken a wide range of trade related measures, but remained within the WTO provisions and norms of the Temporary Community Framework for State aid measures to support access to finance in the financial and economic crisis⁴⁵.

The range of problems and number of participants at a certain stage of the summit preparations prompt a question of the risks of failure (or inefficiency). A month after the launch of the process Gordon Brown comments at a Q&A session with the Brookings Institute: "I think if you are going to continue in this format, which is something that people will now be looking at, then you are going to need an executive that is effective, you are going to need a continuing presence, you are going to need to be able to take on functions that

⁴² Weekly Q&A Session Prime Minister / House of Commons Debates. 04.02.2009, available at: <http://www.theyworkforyou.com/debates/?id=2009-02-04a.835.7>

⁴³ Declaration of the Summit on Financial Markets and the World Economy / The Official Website of the President of the Russian Federation. 15.11.2008, available at: <http://www.kremlin.ru/events/articles/2008/11/209291/209303.shtml>

⁴⁴ Report to the TPRJ3 from the Director-General on the Financial and Economic Crisis and Trade-Related Developments / World Trade Organisation. 26.03.2009, available at: http://www.wto.org/english/news_e/news09_e/trdev_dg_report_14apr09_e.doc; Report to the TPRB from the Director-General on the Financial and Economic Crisis and Trade-Related Developments, 23 January 2009, available at: <http://www.tradeobservatory.org/library.cfm?refid=105042>.

⁴⁵ Communication from the Commission on Temporary Community Framework for State Aid Measures to Support Access to Finance in the Current Financial and Economic Crisis // Official Journal of the European Union. 22.01.2009. C 16/01.

are continuous and regular and not just passing depending on when a meeting is going to take place”⁴⁶. This idea of institutionalization has not seen any significant development since then.

However, a slight tilt towards split of labor and continuity of priorities and agendas between the G20 and G8 deserves to be noted. President of the Council Berlusconi and Prime Minister Brown stated agreement to coordinate and reinforce the two summits agendas: “At the London Summit we should seek to agree a Charter of Principles for financial regulation and supervision. La Maddalena G8 Summit will be the occasion to go even further, adopting an agreed set of common principles and standards on propriety, integrity and transparency of international economic and financial activity, as recently discussed by G7/G8 Finance Ministers. Through all of this we need to use both the London and La Maddalena Summits to protect the poorest in this global recession and to make sure that the actions we take to secure economic recovery are consistent with our shared aspirations for a low-carbon future and sustainable growth. Therefore, crucial discussions at the London and La Maddalena summits will also focus on the challenges of development, climate change and energy, and how to relaunch global sustainable growth”⁴⁷.

Labor sharing, continuity and cooperation work easily within the ministers of finance meetings. Thus at the outcome of the February meeting the G7 Statement⁴⁸, stipulates the principles of joint actions to ensure fiscal policy measures effectiveness, which include consistency with the medium term sustainability and temporary nature.

Bank of Italy Governor and Financial Stability Forum chairman, Mario Draghi, expressed a shared spirit for the G20 meeting in April: “More capital,

⁴⁶ Q&A Session on the Global Economy with the Brookings Institute / The Official Site of Prime Minister’s Office. 10.02.2009, available at: <http://www.number10.gov.uk/> Page 18266.

⁴⁷ Joint Article by President of the Council Berlusconi and British Prime Minister Brown / The G8 2009 Summit Official Website. 19.02.2009, available at: http://www.g8italia2009.it/G8/Home/News/G8-G8_Layout_locale-1199882116809_InterventoBerlusconi.htm

⁴⁸ Statement of the G7 Finance Ministers and Central Bank Governors Meeting. Rome, Italy. 14.02.2009, available at: <http://www.g7finance.tesoro.it/opencms/opencms/handle404?exporturi=/export/sites/G8/it/2009ItalianPresidency/Meetings/February/Communiques/Documents/Comunicato.pdf&%5d>.

The final Declaration issued by the G7 group’s Finance Ministers and Central Bank Governors, who met in Rome on 13 and 14 February, states that the member countries’ priority is to stabilize the global economy, the money markets and savings.

more reserves, and more stringent monitoring standards”⁴⁹, to restore trust to financial markets and avert risks of systemic failures in the future.

Just before the joint statement with S. Berlusconi G. Brown presented the UK package of measures to restore stability and the provisions of the new global deal in the report titled “The Road to the London Summit — the Plan for Getting the Global Economy Back on Track through a New Global Deal”⁵⁰. The document concludes with a list commitments for the leaders of the G20 London summit including reform of financial markets and institutes, some of which were reflected in the G20 statement of April 2, 2009.

In search of “Agreed Language”

National conciliations, coordination within the EU, conformance with the G8, consultations with the G20 member states, working with the international institutions and integration of the working groups’ deliberations’ results apparently cost substantially higher than the 19 million pound sterling of the official summit budget⁵¹.

Gordon Brown got a “go ahead” to his proposal at the Berlin meeting of the leaders of the EU six largest economies of the EU on 22 February⁵². President of France N. Sarkozy said almost in the spirit of Valéry Giscard d’Estaing’s statement made back in 1976: “We all agree that Europe wants a full review of the system in London. We can not afford a failure of the summit. We do not talk of the cosmetic measures, but of structural measure which must be undertaken”. The meeting decisions fixed agreed goals on global financial

⁴⁹ G7 Finance Ministers and Central Bank Governors Meeting: Final Declaration and News Conferences / The G8 2009 Summit Official Website. 14.02.2009, available at: http://www.g8italia2009.it/G8/Home/News/G8-G8_Layout/ocale-1199882116809_1199889366921.htm.

⁵⁰ The Road to the London Summit — the Plan for Getting the Global Economy Back on Track through a New Global Deal. Prime Minister’s Gordon Brown Report / The Official site of Prime Minister’s Office. 18.02.2009, available at: <http://www.londonsummit.gov.uk/en/media-centre/latest-news/?view=News&id=1372281L>

⁵¹ G20 Summitto Cost 19 million pounds: British Minister/Livemint.com. 28.03.2009, available at: <http://www.livemint.com/2009/03/28010513/G20-summit-to-cost-19-mn-pound.html>.

⁵² Federal Chancellery’ — Chair’s Summary of the Berlin G20 Preparatory Summit / Press and Informantion Office of the Federal Government of Germany. 22.02.2009, available at: http://www.bundesregierung.de/nn_6538/Content/EN/Pressemittcilungen/BPA/2009/2009-02-22-chair-summary.html.

market regulation, short-term crisis management, return to sustainable economic growth, improved international coordination and strengthening international institutions.

It is notable, though expected, that the agreement includes actions both for the G20 and the G8⁵³: “We will actively support discussions on a new charter for sustainable economic activity at the London Summit and we favorably take note of the fact that the work on its first building block — a set of common principles and standards on propriety, integrity, and transparency of economic and financial activity — has already been started within the G8-process”.

Thus the EU members contribute towards continuity of the G20 and the G8 agendas and sustainability of the processes of reform and renewal of the global financial and economic architecture.

The informal summit of March 1st was another stepping stone to building the EU common position to the G20 London meeting⁵⁴. It endorsed the principles and actions agreed in October 2008 and the European Plan for Economic Recovery, approved in December 2008. It welcomed, but did not act on the contribution of the High Level Group on financial supervision. The High Level Group chaired by Jacques de Larosiere submitted the analysis of the situation in the world and in Europe and drew 31 recommendations aimed at policy and regulation repair at the global and European level. Recommendations include a wide range of institutional changes, such as establishing the European Systemic Risk Council (ESRC) and European System of Financial Supervision (ESFS), a heightened role for the FSF, which to be enlarged to include all systemically important countries and the European Commission, and endowed with more resources, its accountability and governance reformed by more closely linking it to the IMF. The report recommends that the IMF, in close cooperation with the FSF, the BIS, central banks and the European Systemic Risk Council (ESRC) should be put in charge of developing and operating

⁵³ Federal Chancellery — Chair’s Summary of the Berlin G20 Preparatory Summit / Press and Information Office of the Federal Government of Germany. 22.02.2009, available at: http://www.bundesregierung.de/nn_6538/Content/EN/Pressemitteilungen/BPA/2009/2009-02-22-chair-summary.html.

⁵⁴ Informal Meeting of Heads of State or Government. Joint Press Lines of the Heads of State or Government of the Outcomes of the Informal Meeting. Brussels. 01.03.2009, available at: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/misc/106390.pdf.

a financial stability early warning system, accompanied by an international risk map and credit register.

However, the main decisions of the informal summit were related to the internal EU regulation and efforts to restore financial stability. At the global level the member states underlined that the EU should pursue a leading role in the G20 process and ensure that its efforts are adequately reflected at the international level, while taking into account the particular situation of developing countries and committed to “invest every effort to build consensus on modalities leading to a rapid conclusion of the Doha Development Agenda”⁵⁵. Outcomes of the February meeting and the informal meeting of the heads of states and governments of March 2009 not only prepared common ground for the March European Council, but built resource (and the need) to draw on the EU common position for Gordon Brown in the meeting with the US President B. Obama (March 3).

The UK Prime Minister was the first European leader to visit President Obama after the latter’s inauguration to “renew the special relations between Great Britain and the US”⁵⁶, as well as discuss the anti-crisis measures to stimulate the banks and economy, and reform of the international institutions. Speaking in the Congress⁵⁷ Brown called on all countries to share the responsibility and the workload of pulling out of the crisis: “America and a few countries cannot be expected to bear the burden of the fiscal and interest rate stimulus alone. We must share it globally. So let us work together for the worldwide reduction of interest rates and a scale of stimulus round the world equal to the depth of the recession and the dimensions of the recovery we must make”⁵⁸.

Large scale stimulus has been viewed as potentially threatening the regional and global macro-financial stability by the Government of Germany and many other EU member states, who agreed on the need to move forward to a new charter for sustainable economic activity, and cooperate on the principle of selective, targeted, and weighted choice of measures and stimuli consistent

⁵⁵ Informal Meeting of Heads of State or Government, available at: http://www.consilium.europa.eu/uedocs/ems_data/docs/pressdata/en/mise/106390.pdf.

⁵⁶ US/UK Accord on Priorities for the London Summit / The G20 London Summit 2009 Website. 05.03.2009, available at: <http://www.londonsummit.gov.uk/en/summitaims/timeline-events/brown-usa/>.

⁵⁷ Gordon Brown’s address to Congress “Build Tomorrow Today” / The G20 London Summit 2009 Website. 04.03.2009, available at: <http://www.londonsummit.gov.uk/en/media-centre/latest-news/?view=Speech&id=14436691>

⁵⁸ Ibid.

with the long term sustainability of public finances. The “failure” to comply with the common standing is due to the fact that the UK Prime Minister position was closer to that of the US rather than the EU. Thus after the visit in the lead to the summit Gordon Brown intensifies the shuttle diplomacy within the EU, working both with the EU member-states leaders and the EU institutions. After the meeting with Chancellor A. Merkel on the eve of the European Council meeting both leaders emphasize that there are no contradictions between the EU and the US, indirectly indicating that there is a zone of concern. A. Merkel is characteristically diplomatic: “And in Washington we were sort of making our first steps in this direction, but now we have to come up with substantive results and I must say I am very positive, I am very optimistic that we will be able, that we will come to an agreement together with the United States with emerging economies such as China and India, and to come up with results that see to it that through new regulations, through new supervisory functions we ward off such a crisis in the future and we prevent them from occurring again. We have had very clear cut signals from the United States that we can expect the Americans, they are taking a very constructive stance on all of that”⁵⁹. Gordon Brown’s statement is even more resolute: “So we are getting agreement on that and I believe that the Americans — contrary to what you said — the Americans are ready to support us in these changes that we are going to bring about”. However, though in the pre summit briefing G. Brown repeatedly underlines the relevance of the Chancellor’s proposal on the charter of financial and economic stability⁶⁰, it did not work its way into the final documents, except a formula reflecting the commitment to ensure long-term fiscal sustainability and price stability and put in place credible exit strategies from the measures to be taken to support the financial sector and restore global demand⁶¹. In fact, this weakening of resolve is a yield to the American push to a large scale stimulus shared by G. Brown.

⁵⁹ Transcript of the Press Conference Given by the Prime Minister and the German Chancellor Angela Merkel at Downing Street / The Official Site of Prime Minister’s Office. 14.03.2009, available at: <http://www.number10.gov.uk/Page18617>.

⁶⁰ Pre-G20 Briefing with Foreign Media Given by the Prime Minister / The Official Site of Prime Minister’s Office. 23.03.2009, available at: <http://www.number10.gov.uk/Page18739>.

⁶¹ Global Plan for Recovery and Reform / The G20 Information Centre of the University of Toronto. 02.04.2009, available at: <http://www.g20.utoronto.ca/2009/2009-london-plan-090402.html>.

In the course of the meeting with President Barroso⁶², given the competence of the EC in the trade policy, G. Brown and J.M. Barroso emphasize the imperative of trade stimulation measures. The main point taken out of the meeting include tighter mechanisms of monitoring of tariff and non tariff barriers with a clear mandate to the WTO on the monitoring, assessment and information of the protectionist measures undertaken by the countries; support to trade credit, increasing financing of trade and stimulating the demand.

Finally, the Prime Minister who had ignored the EU institutions for years⁶³, spoke to the European Parliament, mostly on sharing the principles of close regulation for ensuring macroeconomic stability. The parliamentarians must have been amazed by a contradicting though eloquent proposition that Europe “takes a central role in replacing what was once called the old Washington consensus with a new and principled economic consensus for our times...”⁶⁴. Start a new era of heightened cooperation between Europe and America⁶⁵.

International cooperation for sustainable macroeconomic policy was one of the priorities spelt out by the Economic and Financial Affairs Council for the EU common position at the G20 summit⁶⁶. The position was formalized and endorsed at the European council meeting in March as an Agreed language⁶⁷. The main lines of action include the EU leading role in international actions to promote return to sustainable growth; strengthening capacities to manage and prevent the crisis; improving the financial markets regulation and transparency; support to developing countries. The member states approved a contribution of a temporary support to the IMF lending capacity of a €75 bn loan. The member states supported the IMF quota and voice reform of April 2008, review of the process for the top management selection; the FSF expansion to include all G20 countries, Spain and the EC, as well as the FSF

⁶² A Press Conference Given by the Prime Minister and European Commission President Jose Manuel Barroso / The Official Site of Prime Minister's Office. 16.03.2009, available at: <http://www.number10.gov.uk/Page8644>.

⁶³ Tom Bower “Gordon Brown” Harper Perennial, The Mail on Sunday. 13.03.2005.

⁶⁴ PM Speech to European Parliament / The Official Site of Prime Minister's Office. 24.03.2009, available at: <http://www.number10.gov.uk/Page8718>.

⁶⁵ Ibid.

⁶⁶ 2931st Meeting of the Council Economic and Financial Affairs. 7048/09 (Presse 54). Brussels, 10.03.2009, available at: <http://www.consilium.europa.eu/uedocs/News-Word/en/ecofin/106576.doc>.

⁶⁷ Presidency Conclusions. Annex 1 Agreed Language with a view to the G20 Summit in London. 7880/09 18. Brussels, 19-20.03.2009, available at: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/106809.pdf

institutional reinforcement. The Agreed Language reiterated again the task of finding consensus and adopting a Global Charter for Sustainable Economic Activity⁶⁸.

Coordination of approaches, certainly, took place in other than the EU and the transatlantic platforms. Checking the notes with China⁶⁹, bilateral with the Prime Minister of Australia⁷⁰, the President of Brazil⁷¹, the President of Mexico⁷² have been essential stepping stones to forging agreement on the summit documents. In the UK statements with Brazil and Mexico due consideration was given to the necessity of coordinating the G20, G8 and G5 agendas, which was partially connected with both countries active stance in the G5, as well as Mexico's presidency in it. However, it is also a valid confirmation of the G8/G5 dialogue eminence, in spite of G20 collaboration.

In the Language of Finance

The finance ministers' and central bankers' work catches less limelight than the summits but is of utmost importance to brokering the summits decisions. The Washington summit established four working groups to follow up the agreed actions as support to the national finance authorities' coordination⁷³.

⁶⁸ The idea of the Charter is consistently developed in the EU documents, is included into the agenda of the Italian G8 summit, but has not found its way into the G20 documents.

⁶⁹ Joint Statement between the People's Republic of China and the United Kingdom of Great Britain and Northern Ireland on Strengthening Cooperation, and Actively Dealing with the International Financial Crisis / The Official Site of Prime Minister's Office. 02.02.2009, available at: <http://www.number10.gov.uk/Page18220>.

⁷⁰ The PM's press conference with Kevin Rudd / The official site of the Prime Minister's Office. 31.03.2009, available at: <http://www.number10.gov.uk/Page18866>.

⁷¹ A Joint Statement by the Prime Minister and President of Brazil Luiz Inacio Lula da Silva / The Official Site of the Prime Minister's Office. 26.03.2009, available at: <http://www.number10.gov.uk/Page18772>.

⁷² A Joint Declaration by the Prime Minister and Mexican President Felipe Calderon / The Official Site of the Prime Minister's Office. 30.03.2009, available at: <http://www.number10.gov.uk/Page18853>.

⁷³ G20 Working Group 1 Enhancing Sound Regulation and Strengthening Transparency. Final Report. 25.03.2009, available at: http://www.g20.org/Documents/g20_wgl_010409.pdf.

G20 Working Group 2 on Reinforcing International Cooperation and Promoting Integrity in Financial Markets. Final Report. 27.03.2009, available at: http://www.g20.org/Documents/g20_wg2_010409.pdf.

The first formal presentation of the UK objective for the G20 presented in the letter from Alistair Darling to the G20 finance ministers on January 7, 2009⁷⁴ focused on restoring financial markets.

Restore confidence to financial markets.

Maintain and strengthen advantages of open financial system for the world economy.

Mitigate risks of systemic failures in the financial sector.

Prepare for possible failures in the financial markets ensuring effective mechanisms of depositors' protection, cutting down bankrupt institutions and international mechanisms of their coordination.

Enhance effectiveness of transactions in financial markets⁷⁵.

The meeting of the ministers of finance and central bankers took place on March 14 and welcomed the decision on expanding the Financial Stability Forum and the Basel Committee on Banking Supervision announced on its eve⁷⁶.

The three working sessions discussed the short-term and long-term measures to restore economic growth; reform and strengthening of the financial system; and the role of the financial institutions. In the final communique and its annexes the ministers and central bankers confirmed commitment to coordinated and comprehensive action to restore lending, boost demand and jobs, fight all forms of protectionism and maintain open trade and investment. The framework for financial repair and recovery defines the main principles which should guide the national authorities international cooperation: the programmes should be implemented quickly, comprehensively and have a limited enrolment period; the eligibility of assets for support should be kept flexible and there should be a specified cut-off date prior to announcement of the programme; there should be a fair price in transferring the risks from the banking sector to governments; there should be a full and transparent disclosure of the impairment of banks' balance sheets; valuation methodologies should be applied transparently, objectively, consistently and in a cooperative way; the

G20 Working Group 3 on Reform of the IMF. Final Report. 04.03.2009, available at: http://www.g20.org/Documents/g20_wg3_010409.pdf.

G20 Working Group 4. The World Bank and other Multilateral Development Banks. Final Report. 01.04.2009, available at: http://www.g20.org/Documents/g20_vvg4_010409.pdf.

⁷⁴ UK Objectives for the G20 in 2009 / HM Treasury. 07.01.2009.

⁷⁵ Ibid.

⁷⁶ See table on the FSF and the BCBS membership, available at: http://www.iori.hse.ru/g20/materials/G20_composition.xls.

firms receiving support should continue to be run according to business principles; restructurings should focus on maximizing the effectiveness of any government support and the long-term viability; the government support must come with strong conditions, should be closely monitored and temporary; support measures should be part of a sustainable medium term fiscal strategy⁷⁷. Thus the EU member states positions that financial measures should be consistent with public finance long term stability was fully reflected in the Communiqué.

On the eve of the G20 ministers meeting the BRIC ministers of finance met in Horsham to discuss views on the situation in the global economy and its latest trends, fiscal and monetary policy responses in BRIC countries, as well the forthcoming G20 Leaders' Summit agenda and the expected outcomes⁷⁸. They emphasized that the anti-crisis measures should be implemented in such a way that they would not hamper efforts needed to ensure midterm and long-term macroeconomic sustainability according to the particular conditions of each country. The document provisions also include commitments to:

- avoid protectionism of all kinds and not allow to act as a disruptive force to the global economy;
- support to developing countries suffering of the crisis to achieve the MDGs;
- adequate regulation and supervision, including institutions which are in the "shadow banking system, rating agencies, intensified supervision of hedge funds, and private pools of capital;
- reform of international financial institutions and reviewing the IMF role and mandate so as to adapt it to a new global monetary and financial architecture.

The meeting welcomed the decision to broaden the membership of the Financial Stability Forum (FSF) and expand the Basle Committee on Banking Supervision and stressed that the International Accounting Standards Board and other standard setting bodies also needed to become more representative, reinforcing the presence of emerging market economies.

⁷⁷ G20 Finance Ministers and Central Bank Governors Meeting Communiqué / The G20 London Summit 2009 Website. 14.03.2009, available at:

<http://www.londonsummit.gov.uk/en/media-centre/latest-news/?view=News&id=18236>.

⁷⁸ BRIC Finance Ministers' Communiqué, March 13, 2009, Horsham, UK, available at: <http://www.lminfin.ru/ru/official/index.php?id4=7172>.

The BRIC ministers' position on the IMF reform and changes in the international currencies system deserves special mention, though there was nothing on the new reserve currency or currencies basket. It can be assumed that India and Brazil opposed the idea of displacement of the dollar as the reserve currency put forward by Russia⁷⁹ and China⁸⁰. The idea supported by the Eurasian economic community ministers statement⁸¹ which also proposed to put to debate a "Code" of principles and best practices of macroeconomic and financial discipline, a so-called "new Maastricht consensus" or a Stability and Growth Pact on a global scale, which concurred with the idea of the Charter of sustainable economic activity floated by the EU.

The ministers agreed on the need to take measures to reduce the dependence of the world economy on a single reserve currency as a factor of ensuring sustainability of national economies and greater use of multiple currencies in global economy. However, there has been no indication that the EU would be prepared to debate the issue, which is understandable given the euro status as the second reserve currency, similarly the UK pound would not willing to change the status of the pound in the global currencies system.

Lost in Translation?

The first propositions from the Russian Federation for the G20 summit agenda were first put forward by Prime Minister Vladimir Putin in his speech at the opening ceremony of the World Economic Forum in Davos⁸².

1) Purging toxic assets and coordination of efforts: "the extent of the recession and its scale will largely depend on specific high-precision measures, due to be charted by governments and business communities and on our coordinated and professional efforts. We must... assess the real situation and write off all hopeless debts and "bad" assets.

⁷⁹ Russia's proposal to the G20 summit includes options of currencies' basket and use of SDR as a reserve currency.

⁸⁰ Head of the Central Bank of China Zhou Xiaochuan proposal to use SDRs as a reserve currency.

⁸¹ Joint Statement of Ministers of Finance, Ministers of Economy and Governors of Central (National) Banks of Eurasian Economic Community Member States on Reforming International Financial Architecture, available at: <http://www.minfin.ru/en/news/index.php?afrom4=13.03.2009&ato4=I 7.03.2009&type4=&id4=7174>.

⁸² The Wall Street Journal, available at: <http://online.wsj.com/article/SBI23317069332125243.html#printMode>.

2) Introduction of new standards of assessment based on the real value of the assets: “the audit, accounting and ratings system reform must be based... on its ability to generate added value, the economy of the future must become an economy of real values”.

3) Transitions to currencies basket: “Excessive dependence on a single reserve currency is dangerous for the global economy. Consequently, it would be sensible to encourage the objective process of creating several strong reserve currencies in the future”.

Responsibility and transparency of the fiscal and monetary policy of the major reserve currency issuers: “Most nations convert their international reserves into foreign currencies and must therefore be convinced that they are reliable. Those issuing reserve and accounting currencies are objectively interested in their use by other states. This highlights mutual interests and interdependence”.

4) The charter for economic and financial stability: “...nations must pledge to abide by internationally recognized rules of macroeconomic and financial discipline”.

5) Reform of the international institutions system and strengthening the regulation: “We must strengthen the system of global regulators based on international law and a system of multilateral agreements in order to prevent chaos and unpredictability in such a multipolar world. Consequently, it is very important that we reassess the role of leading international organizations and institutions”.

6) Assistance to development: “Every nation must have guaranteed access to vital resources, new technology and development sources”.

7) Safeguards from future systemic risks: “What we need is guarantees that could minimize risks of recurring crises”.

In the run up to the summit the proposals were discussed with the partners in the CIS and Eurasian Economic Community⁸³. Consultations with the EU or other G20 partners can not be characterized as intensive. The meeting between G. Brown and D. Medvedev took place on the very eve of the summit. Given the rather melancholic period of the UK — Russia relations all meetings and even phone calls mattered. Bilaterals proved to present opportunities to enhance positive dimensions of the cooperation, especially in the field of

⁸³ Joint Statement of Ministers of Finance, Ministers of Economy and Governors of Central (National) Banks of Eurasian Economic Community Member States on Reforming International Financial Architecture, available at: <http://www.minfin.ru/en/news/index.php?afrom4=13.03.2009&ato4=17.03.2009&type4=&id4=7174>.

finance⁸⁴. Summing up the outcomes of his visit to Russia and consultations with Foreign Minister Sergei Lavrov, Deputy Finance Minister Sergey Shatalov and First Deputy Foreign Minister Andrei Denisov, Foreign Office Minister, Lord Malloch-Brown, commented that the Russian government and Britain ‘shared’ four main objectives for the summit: developing a unified strategic vision for tackling the problems in the world’s real and financial sectors; discouraging the growth of national protectionism through a recommitment to free-trade; tightening banking and financial regulation; and creating aid packages for poorer countries⁸⁵.

There has been no indication of consultations between EU and Russia on the G20 decisions. This fact requires special reflection, as discussion could have proved useful for EU — Russia relations, given that Russia’s proposals to the London summit share a lot in terms of principles and approaches with the EU Agreed Language⁸⁶.

1. Development and adoption of internationally agreed standards in the field of macroeconomic and budgetary policies which would be mandatory for leading global economies, including countries issuing reserve currencies.

2. Promote domestic demand in a way that such measures would not hamper efforts needed to ensure mid-term and long-term macroeconomic sustainability as reflected in low inflation, reasonable budget deficit and public debt levels, etc.

Both issues were reflected in the Plan of Action and are consonant with the positions of most G20 countries and the Charter for Sustainable Economic Activities promoted by the EU.

3. Elaboration and adoption of an international agreement setting global standards for regulation of and supervision over the financial sector — Standard Universal Regulatory Framework (SURF), to include:

⁸⁴ Joint Statement by the UK Chancellor and Russian Deputy Prime Minister Kudrin on UK — Russia Economic and Financial Dialogue / The G20 London Summit 2009 Website. 04.02.2009, available at: <http://www.londonsummit.gov.uk/en/media-centre/latest-news/?view=PressS&id=13475149>.

⁸⁵ Lord Malloch-Brown Takes London Summit Agenda to Russia / The G20 London Summit 2009 Website. 13.03.2009, available at: <http://www.londonsummit.gov.uk/en/media-centre/latestnews/?view=News&id=14826809>.

⁸⁶ Russian Proposals to the London G20 Summit (April 2009) /The Official Website of the President of the Russian Federation, available at: <http://www.kremlin.ru/eng/text/docs/2009/03/213995.shtml>.

- a. OECD standards;
- b. a unified financial reporting standard (the feasibility of adopting a unified accounting standard to be explored as well);
- c. unified criteria to determine untrustworthy jurisdictions as well as measures to counter them;
- d. rules of exchanging the widest possible information concerning financial institutions and transactions (in particular, in the framework of supervisory boards) on a regular basis;
- e. simulation modeling of the cooperation among the supervisory bodies in a crisis setting;
- f. taking into account (or, precedence of) national requirements for underlying assets when trading in derivatives in the foreign markets;
- g. a standard for the rating agencies.

There have been no discord on these lines of action, the SURF idea was not developed further, however their content concurs in essence with the EU propositions on financial markets regulation and the G20 Statement on Strengthening the Financial System reflects it in essence and the spirit.

4. Reform of the international monetary and financial system to enhance its stability and eliminate global economic disproportions.

A mandate to the IMF to review possible options for diversification of the list of currencies used as reserve ones, or introduction of a supra-national reserve currency to be issued by international financial institutions. As an option to consider the recognition of SDRs as a «supra-reserve» currency by the whole world community.

None of these scenarios found its way into the final documents though the idea of the international monetary and financial system aimed at ensuring its stability is the centerpiece of all documents.

5. Revision of the IMF role and mandate so as to adapt it to a new global monetary and financial architecture. In the short term, accomplishment of the IMF reform of quotas and voice through redistributing quotas and voice in favour of emerging economies and developing countries. Cancellation of the package of decisions on the reform of quotas and voice agreed upon last April, and continuing work within IMF with a view to submitting for ratification a more radical reform option that would better reflect the present balance of powers in the global economy. Change of the IMF quota formula in order to reflect accordingly the economic weights of Member States.

The latter proposal was not reflected in the debate and the documents, and a much softer version was adopted, to complete the reform agreed in April

2008, and complete the next review by January 2011. This approach is shared by the EU in the Agreed Language.

6. Preserve the recent steady upward trends in financing development, to provide support to developing countries, the majority of which were heavily hit by the current crisis.

Support to development remained the undoubtable priority of the London summit and one of the central positions of the EU.

1. Emphasis on the concept of energy efficient growth, including energy saving; reduction of price volatility through ensuring credibility and interdependence among the producers, consumers and transit countries of the energy resources; greater role of nuclear and modern renewable sources of energy; development of new energy technologies.

The proposal develops the Saint Petersburg Principles of Global Energy Security adopted in 2006. The issues were not reflected in the G20 summit documents though the energy efficiency topic had been a part of the agenda in the run up debate and had been reiterated as a priority by Prime Minister Brown.

The climate protection priority was registered in one commitment only: "to address the threat of irreversible climate change, based on the principle of common but differentiated responsibilities, and to reach agreement at the UN Climate Change conference in Copenhagen in December 2009"⁸⁷ This priority was not a part of the EU Agreed Language, though the Presidency Conclusions of March European Council meeting confirm the member states commitment to enhance energy efficiency and security and cut down on the GHGE to 30%".

The highlight of the Russia — EU member — states coordination was the meeting between President D. Medvedev and Chancellor A. Merkel before the summit. Both confirmed their shared positions on the summit agenda issues, the idea of the Charter of Sustainable Economic Development⁸⁹, and the objective of ensuring mid-term and long-term macroeconomic sustainability. Both leaders envisaged a long-term agenda for the G20 to be launched by the London summit⁹⁰. The pledges on anti-protectionism were more controversial

⁸⁷ London Summit — Leaders' Statement / The G20 London Summit 2009 Website. 02.04.2009, available at: <http://www.londonsummit.gov.uk/resources/en/PDF/final-communique>.

⁸⁸ Brussels European Council. 19-20.03.2009, available at: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/106809.pdf.

⁸⁹ Press Conference Following Russian-German Consultations, available at: http://www.kremlin.ru/eng/text/speeches/2009/03/31/2035_type82914type82915_214595.shtml.

⁹⁰ Ibid.

than other items. The Russian President accepted that weighted protective measures are possible on condition of their local and temporary nature. The thesis was confirmed by D. Medvedev in the press conference on the outcomes of the summit⁹¹. Whereas the Chancellor, though admitting that the Washington commitment to avoid trade and investment related protectionist measures was very ambitious, and the tendencies towards such policies were very strong, confirmed the imperative of anti protectionist policies and the European Commission role in its implementation⁹².

Outcomes and Assessments

The London Summit Leaders' Statement⁹³ contains 52 commitments, 20 of which are aimed at strengthening financial systems: enhancing regulation and supervision (11), and strengthening global financial institutions (9).

The leaders pledges on allocation of additional finance (amounted to more than 1,1 tn) to stimulate trade and economic growth, containing unemployment and aid to developing countries breaks into:

- \$750 bn to IMF;
- \$250 bn SDR allocation;
- \$ 100 bn of additional lending for MDBs;
- \$250 bn of support for trade finance;

\$5 tn for fiscal expansion, which will save or create millions of jobs which would otherwise have been destroyed;

\$50 bn to support social protection, boost trade and safeguard development in low income countries;

\$6 bn additional concessional and flexible finance for the poorest countries over the next 2 to 3 years.

In fact the amount is lower, as the \$5 tn represents as an assessment of the funding earmarked or allocated within the national programmes to stimulate the G20 members' economies. The \$500 bn increase for the IMF, up to \$750 bn,

⁹¹ Press Conference on the Results of the G20 Heads of State Meeting, available at: http://www.kremlin.ru/eng/text/speeches/2009/04/02/2147_type82912type82914type82915_214710.shtml.

⁹² Press Conference Following Russian-German Consultations, available at: http://www.kremlin.ru/eng/text/speeches/2009/03/31/2035_type82914type82915_214595.shtml.

⁹³ London Summit — Leaders' Statement / The G20 London Summit 2009 Website. 02.04.2009, available at: <http://www.londonsummit.gov.uk/resources/en/PDF/final-communique>.

is already being generated with the \$100 bn promised by the Government of Japan, €75 bn loan agreed by the EU member states, \$35 bn pending from Brazil, \$40 bn expected from China, \$20 bn proposed by Canada, \$100 bn pledged by the USA, and \$4 to 5 promised by Norway. So far this makes up to 400 out of \$500 bn committed by the leaders' statement.

The other source of new money — replenishment of the IMF SDR system. However, the benefits of the instrument are not balanced, as they are distributed according to the IMF countries quotas, this means most of the benefit will accrue to strengthening the reserves of developed countries, possessing the major share of the quotas. The US — 17%, Germany and Japan — 6% each, the UK and France — about 5 % each.

Commitment of \$6 bn additional concessional and flexible finance for the poorest countries over the next 2 to 3 years should come from agreed sales of IMF gold, together with surplus income, however, the IMF was still to come up with concrete proposals at the Spring Meetings.

As regards the additional resources to MDBs and availability of at least \$250 bn over the next two years to support trade finance the funds should be generated as the new IFC Global Trade Liquidity Pool which should provide up to \$50 bn of trade liquidity support over the next three years, with significant cofinancing from the private sector (as part of the global effort to ensure the availability of at least \$250 bn of trade finance over the next two years). In order to reach this objective, the G20 countries aim to provide \$3-4 bn in voluntary bilateral contributions to the IFC Pool.

The priorities of refraining from protectionism and promoting development of global trade and investment flows are reflected in 7 commitments. The Washington pledge to avoid protectionist measures is reiterated and reinforced through agreement to rectify promptly any such measures and extension of this pledge to the end of 2010. G. Brown's proposal that the countries should notify the WTO of any such measures with regular monitoring by the WTO was formalized. The WTO, together with other international bodies, were mandated to monitor and report publicly on the G20 adherence to these undertakings on a quarterly basis.

Commitments to the Millennium Development Goals and to ODA pledges, including commitments on Aid for Trade, debt relief, and the Gleneagles commitments, especially to sub-Saharan Africa are registered in 6 decisions. The Commitments include the promise to make resources available for social protection for the poorest countries, through voluntary bilateral contributions

to the World Bank's Vulnerability Framework, including the Infrastructure Crisis Facility, and the Rapid Social Response Fund.

Establishment of the Financial Stability Board on the basis of the expanded Financial Stability Forum and a broadened mandate became an essential institutional decision. The new FSB including the former FSF members, the G20 members, the EU and Spain, mandate to promote financial stability is detailed in the Declaration on Strengthening the Financial System⁹⁴.

Reform of the IMF and the WB debated since the 2008 autumn modestly climbed down to fast tracking the quota reform already agreed in April 2008. The proposition that the IMF should complete the next quota review by January 2011 would be hard work and subject to tough negotiations, as expanding the developing countries' quotas implies their cut for the US, Japan, the UK, France, none of which is keen on yielding positions in the IFIs. Development and agreeing recommendations related to the fast track reform, to be presented in the WB spring meetings of 2010, would not be any easier, and is likely to get stuck, or end up with decisions of the make up nature. A sample of such decision can be traced in the Plan of Action wording, that the leaders: "agree that the heads and senior leadership of the international financial institutions should be appointed through an open, transparent, and merit-based selection process", which is a far cry from the principle of fair nomination irrespective of the nationality.

The resources allocation mechanisms are spelt out in the Declaration on Delivering Resources through the international financial institutions containing 7 commitments⁹⁵. The leaders delegated to the international institutions, mostly, IFIs, 30 mandates. The Ministers of Finance ought to ensure the timely implementation of the decisions provided for by the Action Plan. The FSB and the IMF were mandated to monitor progress, working with the FATF and the Global Forum, and to provide a report to the next meeting of the Finance Ministers and Central Bank Governors to be held in November 2009 in Scotland. This meeting under the Chairmanship of the UK can be of key importance, both for the G20 members and the Chair, which can harness the resources accumulated for the summit preparations to make sure the meeting adds substantial value to the G20 process.

⁹⁴ Declaration on Strengthening the Financial System, available at: <http://www.kremlin.ru/en/g/text/docs/2009/04/214946.shtml>.

⁹⁵ Declaration on Delivering Resources through the International Financial Institutions / The G20 London Summit 2009 Website. 02.04.2009, available at: <http://www.londonsummit.gov.uk/resources/en/PDF/annex-ifi>.

The G20 leaders will have another opportunity to continue consultations and check positions within the expanded format of the G8 summit in July 2009, as stated by the Prime Minister Berlusconi in the press conference on the London summit outcomes. Consistency and continuity of the two is also assumed in the schedule of further work for 2009 G20 agenda⁹⁶, which lists not only the summit in Aquila on July 8-10, but also the G8 ministerials.

Monitoring of the member states compliance performance would indicate how effective the G20 summit has been in terms of delivery on the decisions made.

The Action Plan and the Declarations are naturally a compromise. And the statement on the new global consensus whereas the G20 members “will together manage the process of globalization to secure responsibility from all and fairness to all... to build a more sustainable and more open and fairer global society”⁹⁷, carries a lot of rhetoric. However, the sum total of compromises and decisions is an important achievement made possible through the efforts of the UK and Gordon Brown⁹⁸. The EU made a substantial contribution through the efforts of the EU members and institutions, though the claim to the EU driving role in the G20 at this second juncture seems an overstatement⁹⁹. But the bottom line is that the outcomes are results of coordinated collective efforts.

In his press conference after the meeting with the President of Mexico, Prime Minister Brown formulated “five tests for the G20 summit”¹⁰⁰, in fact, five tasks to be implemented on the basis of the G20 decisions to be made in the April meeting:

1. Restoring growth to emerging market economies through significant increase of resources to the international institutions.
2. Agreeing measures to clean up the banking system and putting in place tighter and more transparent regulation of markets and financial institutions.
3. Commitment to all measures necessary to bring about resumption of growth.

⁹⁶ The G20 London Summit 2009 Website. Forthcoming events: 2009, available at: <http://www.londonsummit.gov.uk/en/summit-aims/future-events>.

⁹⁷ G20 press conference / The G20 London Summit 2009 Website. 02.04.2009, available at: <http://Avwww.number10.gov.uk/Pagel8934>.

⁹⁸ Who has tensions with the opposition and within the government.

⁹⁹ EU Drives G20 Crisis Action / European Commission. 02.04.2009, available at: http://ec.europa.eu/news/economy/090402_1_en.htm.

¹⁰⁰ PM and President Calderon Press Conference / The G20 London Summit 2009 Website. 31.03.2009, available at: <http://www.number10.gov.uk/Pagel8870>.

4. Kick starting global trade and resisting protectionism.
5. Commitment to low carbon and sustainable recovery.

Assessment of the summit outcomes allows to conclude, that it performed well on four out of five G. Brown's tests for the G20 leaders' meeting.

Conclusion

The conclusion looks into the G20 performance of the main global governance functions of domestic political governance, deliberation and direction setting, decision-making and delivery, and global governance development.

Domestic political management, effectiveness of the institution for implementation of the member states national priorities and objectives obviously depends not only on the institutional set up but also on the ability of the individual members to mobilize the institutional capacity. The Chairs naturally holds the greatest opportunities. The UK was able to harness this potential in the run up to the summit and embed the national anti-crisis programme actions into the G20 decisions context.

A weighted assessment of how the other members were able to utilize the national policies objectives on the platform of coordination for the G20 summit requires a separate analysis. However, for the EU as a Community the summit became an effective instrument of Community political management. Provisions of the EU Agreed Language were reflected in the summit documents, the EU and Spain became fully fledged members of the FSB.

In the deliberation process assessment of the individual member states' contributions (or the EU as a collective member) towards forging consensus on the future shared objectives and their place in the global governance agenda always posits special difficulty. The Chair's impact on all issues from the stage of the priorities and agenda presentation to preparation and agreeing the documents at all levels is most apparent. The EU collective contribution, reflected in the formal and informal documents adopted on February 22, March 1, and finally March 19-20, 2009, as well as the Conclusions from the EFOFIN Council and the GAER meetings, was both substantial and noticeable. The G20 did become the nucleus of a multilateral dialogue on the key challenges of overcoming the crisis and post crisis growth.

The summit managed well on the function of direction setting, defining in the Action Plan five main directions of collective action to bring the world economy out of recession. As indicted in the analysis made in the paper the EU level decision bore sufficient influence on defining these directions.

Analysis of the global governance development function confirmed the G20 potential for transcending from an anti crisis management mechanism to a mechanism of systemic governance. The G20 having defined concrete directions and actions and 30 mandates for their implementation to the international institutions, as well as national financial authorities, exerted systemic influence on the global governance processes. The EU contributed not only in the format of recommendations on the IMF and WB reform, but through outlining the algorithm, on the G20 future work and modalities of its coordination with the G8, OECD and FSF.

The leaders' capacity to exert their political influence for forging acceptable and consistent decisions also proved high. The G20 influence on the development of the global governance processes and institutions is undeniable. Many of the propositions came from the EU perspective. The EU position strongly influenced the commitment to ensure mid-term and long-term fiscal stability, early exit strategies development and adoption, limiting the longer-term costs to the economies.

The litmus test of the effectiveness is the delivery. It remains to be passed. Monitoring of the G20 compliance performance would be a good indication of the possible future role of the G20 in global governance. But also what would be the EU and the EU member states input and impact on the G20 commitments implementation.

The final comment, if in the run up to the Washington summit the leadership and contribution of the EU Presidency and the European Commission were undoubtable and striking, in the preparations for the London summit the Presidency yielded leadership to the EU institutions (the EC President, the ECOFIN and GAER, the High Level Group) and the leaders of Germany, France and to some extent, Italy (mostly due to the latter's Chairmanship in the G8), and influence of the EU formal and informal summits. Though it is good that these institutions were able to bridge the leadership gap, and proof of their capacity to harness resources in the face of the Presidency impotence, this is also another argument in favor of a permanent EU Presidency. Ratification of the Lisbon Treaty and effective permanent President¹⁰¹ and the EU Minister for Foreign Affairs¹⁰² would ensure new institutional foundation for the challenges of the future. May be, it is also time to bid for the EU rotating Chairmanship at the G20 table.

¹⁰¹ Say, former UK Prime Minister Tony Blair.

¹⁰² Say, former Belgium Prime Minister Guy Verhofstadt. Though the chemistry of them may be a problem.

Appendix 1

Table A9.1. Summing up the G20 London Summit outcomes

Document	Compliance catalysts	Mandates to IOs and G20 institutions	Modes of engagement				Amounts pledged	New institutions established
			Governance in alliance	Governance through	Governance against	Governance without		
London Summit G20 Leaders' Statement	7 time table compliance catalysts	12 to IOs: IMF(6); FSB(1); MDBs(1); WB(1); WTO(1); UN(1); ILO(1); 1 to FM.	4	17	0	0	<ul style="list-style-type: none"> - \$750 bn to IMF; - \$250 bn SDR allocation; - \$100 bn of additional lending for MDBs; - \$250 bn of support for trade finance; - \$5 tn for fiscal expansion, which will save or create millions of jobs which would otherwise have been destroyed; - \$50 bn to support social protection, boost trade and safeguard development in low income countries; - \$6 bn additional concessional and flexible finance for the poorest countries over the next 2 to 3 years. 	Financial Stability Board

Table A9.1 (continued)

Declaration on Strengthening the Financial System	10 timetable compliance catalysts	18 to IOs: IMF(4); FSB(9); BCBS(3); CGFS(1); FATF(1); 1 to FM	5	18	0	0	—	—
Declaration on Delivering Resources through the International Financial Institutions		0	1	1	0	0	- \$3–4 bn in voluntary bilateral contributions to the IFC Global Trade Liquidity Pool	—
Total	17 timetable compliance catalysts	30 to IOs; 2 to FM	10	36	0	0	- \$1.4 tn; - \$3–4 bn in voluntary bilateral contributions to the IFC Global Trade Liquidity Pool; - \$5 tn as contributions into the national economy for fiscal expansion, which will save or create millions of jobs	1

Summing up the G20 London Summit outcomes

BCBS – Basel Committee on Banking Supervision

CGFS – Committee on the Global Financial System

FATF – Financial Action Task Force

FSB – Financial Stability Board

FM – G20 Finance Ministers

IFC – International Finance Corporation

MDBs – Multilateral Development Banks

PART III

CRITICAL CASE STUDIES

Chapter 10

Climate Change and Energy

John J. Kirton, Victoria Panova **Introduction**

The issue of energy has been one of the reasons behind the creation of the G7 mechanism and with later added climate change problem, it remains high on the G8 agenda. The major powers of the West needed to coordinate their efforts in order to confront the new challenges: the need to ensure security of energy supply, introduce energy saving and energy efficient technologies and make sure that leading industrial countries can afford proper economic development with the adequate and unhampered energy supply.

The global energy system has come through three major stages, with the last system structure still being in the making — with all the stakeholders, namely producer, consumer and transit states, big transnational energy corporations and national energy companies, still going through grand reshuffle and redistribution of “decision-making vs. accepting the rules of the games” roles.

The G8 in general follows the suit along the lines of changes introduced within the global energy architecture fluctuations. As for the club’s activities, there is a way to provisionally single out five phases in the G7/G8 energy activities. During the times of the two energy crises — 1970s — early 1980s energy security issues took a prominent place on the G7 agenda. Further on during the period of much lower prices and sustainable excess of supply over demand this issue became second rate and was mentioned only within the environmental context. End of 1980s — early 1990s, after the demise of the Soviet Union and the socialist block falling apart the main focus of the G7

leaders was shifted to the problems of nuclear security (not only as an environmental issue, especially after Chernobyl AES accident of 1986, but also in the light of growing risks of proliferation of nuclear materials and technologies. After 2000 energy security in its own right recaptured the attention of the G8 countries, with the so popular climate change issue being not only ecological, economic and political issue, but also intensified to a certain extent a PR and market-oriented reaction of the hydrocarbon consuming actors to the skyrocketed oil prices. The fifth phase is still to be introduced and developed by the G8+ participants, since the current global financial and economic crisis has brought its own differentials into the process.

The current paper doesn't require us to go deep back into the history, so for the purposes of understanding recent developments we'll touch upon only the latter period of the G8 and Heiligendamm Dialogue Process (G8 + G5) energy activities.

Evolution and Achievements

Second half of the 1980s energy security at the G7 forums was primarily viewed through the prism of environmental security. Considerable parts of the documents at the Venice Summit of 1987, Paris Summit of 1989, and Houston Summit of 1990 were devoted to strengthening international cooperation in the sphere of secure nuclear energy use¹. At the G7 London Summit of 1991 leaders announced their support to the EC initiative on creation of the European Energy Charter² (EEC), proposed by the former Prime-Minister of Netherlands R. Lubbers during the European Council session in Dublin on June 25th 1990. The full-blown participation in the EEC was considered vital in order to promote free and unhampered energy resources trade, strengthen the security of supply, ensure environmental protection and further economic reforms in Central and Eastern Europe as well as in the Soviet Union, in the

¹ As for the Houston meeting, due to traditionally high Washington attention to security issues, apart from environmental aspect, a considerable place was taken by the nuclear non-proliferation.

² In 1994 countries further to EEC signed the Energy Charter Treaty (at the moment it amounts to 51 countries), which further created the Energy Charter Conference. Out of the G8 countries the USA and Canada never signed the ECT and have an observer status in ECC.

first place by means of establishing open non-discriminatory regime of commercial investments in energy sphere³.

Notwithstanding the active start of the EEC, its fate wasn't so successful, with the Energy Charter Treaty (ECT) further on not ratified by a number of key participants, including Australia, Belarus, Iceland, Norway and Russia, and the USA and Canada signing under EEC, but standing aside from the ECT. Meanwhile, it is important to establish a new, comprehensive, regulated common energy area on the Eurasian or even Eurasia-Trans-Atlantic territory. This was emphasized recently by the Russian authorities, namely Prime Minister Vladimir Putin in his speech at Davos, who see the existing ECT as outdated and not taking into account interests of all parties⁴. Since such a major step has surely lots of politicization to it, it is clear that it is easier to start with smaller steps, which are being discussed and already under way, among them unification of the EU and Russian electricity systems.

Coming back to the past G8 activities, it was clear from the start, that energy problems were closely intertwined with the economic and political issues. At the G7 Venice Summit of 1987 the issue of oil supply was considered through the prism of providing for military security. The continuing Persian Gulf war and the Iranian ayatollah Khomeini threat to block strategically important Strait of Ormuz, the G7 delivered a serious warning to the warring parties on the inadmissibility of such actions (although the USA have taken concrete actions to prevent such developments, the consolidated position of the rest of the G7 partners to a great extent strengthened these steps and demonstrated a unified western front).

The Paris Summit of 1989 saw the G7 note importance of cooperation with the hard law organizations, namely with the International Maritime Organization, to improve measure to prevent oil spills. It is not incidental, that the G7 raised the issue of ocean pollution in 1989. It is known that even during the free of accident oil transportation, there occurred spills during its stowage and off-loading, throwing off the wash-over and ballast water into the ocean, as well as so called bilge water. But it is not very rare for the huge spillovers during the tanker accidents (although they account for only 5-6% of total oil pollution). Thus on March 25th, 1989 Exxon tanker Valdez ran aground,

³ Soon after, on December 17th 1991 the EEC was signed in Hague by the majority of European States, the EC, Australia, Canada, Turkey, the USA and Japan.

⁴ When talking about Russia it is clear, that Moscow would never accept certain provisions of the Transit Protocol, which aren't consistent with its sovereign interests, as claimed by the high profile negotiators etc.

spilling 11 mn gallons of crude oil in the waters of Price William Sound. Oil prices reacted upward to news of the spill and to potential shortages on the west coast caused by refinery fires there. The oil company spent \$1.4 bn to eliminate the consequences of the accident, but even this didn't restore full ecologic balance of the region.

That was also the times when the G7 leaders still had consensus on the environmental implications of the greenhouse gases and necessity to strengthen energy saving measures with the steps to reduce GH emissions⁵.

As it was noted above the energy problem came to the forefront once again due to the one more political crisis — the Iraqi aggression against Kuwait. Immediately crude and product prices soared upward; exchange markets also reacted wildly; jet fuel prices rise to record spread over other products due to increase in defense demand. In late August, OPEC president failed to revive floundering attempts to organize a formal OPEC meeting to discuss crisis/production strategies. Informal meetings held in Vienna resulted in record price falls. Conflicting reports of promises to increase OPEC output to compensate for embargo of Iraq and Kuwait oil further compounded market uncertainties.

Strategic positioning of this small country, primarily due to its oil-reach capacities, played against S. Hussein, since this aggression provoked immediate response of the international coalition, led by the USA with the UN consent. One of the reasons for such a surprising world community consensus was the weakened role of the USSR and Gorbachev's desire to support his western colleagues to the maximum, for both political and ideological reasons of his "new thinking" and for the economic reason of maximizing possible economic aid of the western countries to the Soviet Union. The other reason was the truly illegitimate actions of Iraq itself. The Persian Gulf crisis showed that oil supplies and prices were still vulnerable in the face of political crises, although could to a certain extent be contained by the effective market mechanisms, expansion of supply by several exporting countries and steps taken in coordination with the IAE, especially in the sphere of using oil reserves. Most of the above mentioned postulates are contested today, specifically if we talk about the impeccability and self-restraint and self-regulation of market mechanisms, but that were believed in almost as in a Bible back in 1980s and 90s.

⁵ Communiqué. Paragraph devoted to the Environment. Houston Summit, 1990, available at: www.g8.utoronto.ca/summit/1990houston/communique/environment.html.

The overall positive outcome of the crisis was the improved relationship between hydrocarbon resources producers and consumers, which allowed for further promotion of information exchange, transparency and effective functioning of the market forces. Nevertheless, the war led to certain economic difficulties in a number of countries. Thus a Gulf Crisis Financial Co-ordination Group mobilized up to \$ 16 bn for direct aid to those, affected by the crisis⁶. Another positive development, supported by the G7 leaders was the creation of the Gulf Development Fund.

After the conclusion of the counter-Iraqi operation the world experienced the danger of oil weapons use — this time not through embargo, but through burning of oil-wells, which affected environment seriously.

With the demise of the Soviet Union focus of the G7 leaders shifted to the nuclear security issues. It was proclaimed that each country bears individual responsibility for its atomic stations security. The G7 Munich Summit of 1992 saw the leaders decide to create an additional multilateral mechanism to provide for and elaborate measures of operational and technical security, as well as strengthening regulative regimes, not yet existing in the bilateral programs. The atomic stations, that didn't answer to existing standards were deemed to be closed or if possible — modernized, with such tasks passed on to the IEA and World Bank.

A certain breakthrough could be considered a Moscow Summit on Nuclear Security held under co-presidency of the Russian President B. Yeltsin and French President J. Chirac in April of 1996 (with the regular G7 + Russia Summit held later that year in Lyon). The Moscow Summit went beyond the narrow issue of nuclear security, with the regional issues being considered as well⁷. The eight leaders noted that security of civilian nuclear reactors is an unquestionable priority and there is a need for the so called “culture of efficient nuclear security” in each country with the nuclear facilities. One of the most serious steps in this direction was the adoption of Nuclear Security Convention with a call upon all states to sign it for the Convention to come into force by the end of 1996. At the Summit there was also a decision to convene

⁶ Communiqué. Section devoted to the Middle East. London Summit, 1991, available at: www.g8.utoronto.ca/summit/19911london/communique/index.html.

⁷ One can point out several reasons for the special Summit to be held in Russia: 10th anniversary of Chernobyl accident; extreme unpopularity of the Russian President Boris Yeltsin in the run up to national presidential elections and the desire of the G7 leaders to support their Russian colleague.

a meeting of relevant experts, which happened in October in Paris (with primary focus on MOX-fuel)⁸.

Nuclear sphere, although a component of energy field, still holds independent place, even surpassing purely energetic problems, for it involves such issues as non-proliferation or reduction of weapons of mass destruction. Since then (1996), this problematique (of nuclear security) was quite high on the agenda in various forums, but not so much the G8. Mostly cooperation occurred on the bilateral basis or within other international structures. We can mention here the American-Russian High level task force on nuclear security in Washington DC (created upon the initiative of the two Presidents: Putin and Bush in February in Bratislava) aimed at achieving reduction of stockpiles and guaranteeing secure storage of nuclear materials. The other programme of cooperation on energy security on a bilateral basis is happening with the Asian component of the G8 — Japan. It was as early as 1992 when the Japanese government adopted a programme on the questions of diagnostics of mechanical facilities of atomic stations which provides for training of the station personnel on several directions.

The biggest step taken by the G8 in this direction was the Global Partnership against the Spread of Weapons of Mass Destruction in Kananaskis in 2002. Among its priorities — elimination of chemical weapons, decommissioning of atomic submarines, handling fissile materials and managing former military scientists. To coordinate its activities Senior Officials Group was created to meet practically every month.

As noted before the turn of the century marked the return of the G7/G8 interest to more traditional energy issues, apart from the nuclear security ones. The first meeting of the G8 energy ministers occurred in Moscow on March 31 — April 1, 1998 with the main focus on global problems of the development of world energy in the 21st century. It was acknowledged that the G8 countries traditionally are the key players on the international arena⁹. What assured its effectiveness was the consultative meeting of international business and academic circles on the world energy issues. By the way it was there, that the participants came up with ideas later on taken specific forms in the Joint Oil Data Initiative (JODI) on oil market transparency and increasing its

⁸ Moscow Nuclear Safety and Security Summit Declaration. April 20, 1996, available at: www.g8.utoronto.ca/summit/1996moscow/declaration.html.

⁹ The G8 bear 39% of world energy production, 48% of primary fuel resources consumption and a considerable share of international trade of energy resources.

competitiveness. Some other issues covered were the nuclear security, energy transportation and environmental protection¹⁰.

It wasn't decided formally to hold such meetings in the future, but ministers agreed to continue dealing with such problems on a bilateral basis or within the framework of the existing international mechanism. The ministerial recommendations were approved at the G8 Summit in Birmingham.

The G8 leaders also noted the success of cooperation on pilot project of international thermonuclear experimental reactor construction (ITER), a promising trend of energy development. After diplomatic and political debates between Tokyo and Paris it was decided that ITER is to be built in Cadarache (France). The Japanese gave in only after getting guarantees that the first full-scale reactor would be in turn built in Japan.

Energy Issues in the G8 in the 21st Century

The next phase of the G8 activities in the energy security sphere started to be formed in 2000 which was to a great extent determined by dramatic change in price conjuncture on a world oil market and got its further development on the subsequent forums (Genoa, Kananaskis, Sea-Island, Gleneagles). These activities were accompanied by intensive contacts between the G8 countries on a bilateral basis.

It is important to note here, that according to many expert opinions, the increase in oil prices cannot be accounted simply for energy process, and that the 21st century rise in prices was to a great extent determined by the financial markets (as was the political decision of OPEC countries as the reason behind the 1970s spike in prices). The most comprehensive interpretation seems to embody the effect of inflation processes that are influenced by fundamental global economic trends and the growth in oil and other raw materials prices. As the authors of the "Global Energy and Sustainable Development" White Paper suggest, *"the specific role of the hydrocarbons commodity futures markets is to set the level of prices for the real sector of the economy, while these prices are formed by financial agents. The volume of*

¹⁰ It was only 1998 that a 50-year moratorium on mining and oil exploration in the Antarctic came into force. A protocol for the protection of the Antarctic was adopted by twenty-six countries in 1991, but it could not be implemented until Japan's ratification cleared the way a month before its coming into effect. Antarctica contains 70 percent of the world's fresh water, and the moratorium attempts to preserve the world's least polluted continent.

physical oil trading on the world trading flows is rather modest (according to estimates, about 1% of the world's oil trade) but, owing to the flexibility, high liquidity and transparency of this comparatively small segment, it began to set the prices for all other market segments (the long-term contract, spot and forward markets)

So this time, this energy security problem returned into the G8 agenda as the complex interlinked issue, which had to incorporate new approaches and strategic visioning of the 8 leaders and the European Union, thus proving their eligibility for occupying the major slot in the global governance architecture.

Although analysing further activities and commitments taken by the G8 leaders proved them not able to undertake this comprehensive task of managing global energy governance system, no matter how important were separate decisions taken during the first decade of the 21 century. Thus, one of the main achievements of the G8 Okinawa Summit of 2000 was the establishment of the Renewable Energy Task Force, with the invitation passed not only to the G8 countries, but to all the parties concerned. It comprised of the officials, private sector, NGOs. The Task Force was headed by former Shell President Sir Marc Moudi-Stuart. Among the other initiatives and agreements supported by the G8 were the 1992 Convention on Civil Liability for Oil Pollution Damage, the International Oil Pollution Compensation Convention¹¹.

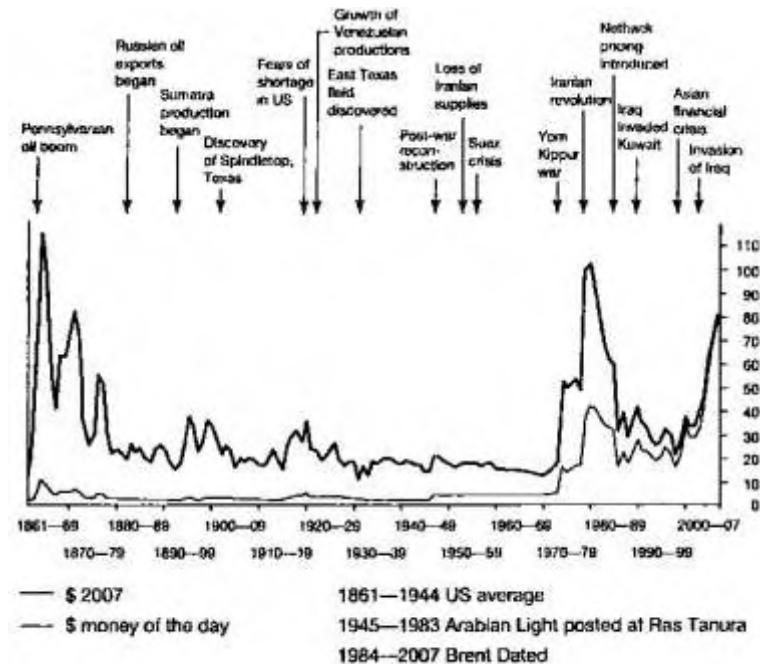
At that time Russia still wasn't perceived as a full-scale G8 member, with separate sessions being held¹². If in some aspects this was justified, the discussion of the problems of world crude oil markets without one of the biggest producers of this hydrocarbon fuel was not clear. Within the context of recent events the G7 noted the need to strengthen "stability of oil markets in order to provide for sustainable growth and prosperity in both, oil producers and consumers"¹³.

The next G8 Summit in Genoa showed that countries came to having differences over the environmental issues. It became especially visible after the US decision to drop the Kyoto protocol. Not much was achieved on energy

¹¹ Communiqué. Okinawa Summit, 2000.

¹² Afterwards, between the years of 2002 and 2006 included, this was a period of the G8 "honey-moon", with Russia being one of the club members without any "but". This drifted back with gradual deterioration of relationship between Russia and the geopolitical West, the lowest point reached, when the rest of the G7 took a separate stand and issued the corresponding statement during the Ossetian-Georgian military conflict.

¹³ G7 Statement. Section devoted to World Economy. Okinawa Summit, 2000.



BP Statistical Review, 2008

Figure 10.1. Crude oil prices 1861—2007 US dollars per barrel World

security issues. The Renewable Sources Task Force have presented its report to the G8, which had besides other recommendations proposals to change the structure of subsidizing energy projects in the Third world countries in favour of turning down support for traditional energy resources suppliers. This strategy could lead to the growth of the renewables share from 2% to 7% by 2003¹⁴.

During the separate discussions of the G7 countries the issue on oil prices has been raised again. It was stated that “*high and volatile oil prices*” constitute danger for the world economy, especially for the most vulnerable developing

¹⁴ Communiqué. Section devoted to Environment. Genoa Summit, 2001.

countries. That is why there was noted a need (though not for the first time) to *“increase and diversify energy supply, energy efficiency build up, infrastructure development and stable oil markets”*. At the same time the G7 noted importance of complete and permanent Chernobyl reactor closure on December 15, 2000¹⁵.

Next year saw the second energy ministerial, which took place in May, 2002 in Detroit with the Canadian and American ministers assuming the role of co-chairs. During this meeting there was once again raised the issue of improving the system of information exchange, with furthering it for consideration at the 8 International Energy Forum in Osaka. Other points of concern included nuclear security issues, cooperation with the developing countries, elaboration and use of new technologies. This time there was a decision taken on further regular format, never realized though.

The Kananaskis Summit of 2002 became famous not only for fixing Russia's turn in presiding over the Group, but also for the Global Partnership Against Proliferation of Materials and Weapons of Mass Destruction (this problem is indirectly connected to the energy security issues through the prism of atomic energy use, but nevertheless taking absolutely autonomous and specific place).

The G8 Evian Summit of 2003 saw its focus shift to oil tanker transport security. There was a bid by the G8 to establish a new global regulatory regime of double hulls for oil tankers. At that moment the Japanese resistance didn't allow for the G8 consensus. Nevertheless, this provision is firmly making its way, with standards introduced by the EU. Other energy issues were also discussed, among others the decision to create the G8 Nuclear Safety and Security Group was taken with the Core Principles necessary to promote safe and secure use of civilian nuclear technology.

Traditionally stronger focus on security issues by the American G8 partners was reflected partly in the way energy issues were viewed at the G8 Sea Island Summit of 2004. The G8 leaders were conscious of the way the terrorist threat could hinder economic growth or recovery, influencing energy prices as well as adding to uncertainty and transactions within the G8 and across the globe as a whole. Although it remains uncertain whether that was particularly the case that helped the G8 leaders overcome their divergencies over American invasion of Iraq, since not all the G8 countries believed Saddam

¹⁵ G7 Statement. Genoa Summit, 2001.

Hussein presented a real terrorist threat and that was the case for the US action.

The next G8 Summit took place in Gleneagles (UK) in 2005. Its first working day was devoted to the questions of climate change, clean energy and sustainable development along with the political ones. The issue of climate change from the very start appeared to be very contentious. It was all but clear from the start that those issues would cause considerable debates within the G8, especially between the USA and the Europeans. It was especially the case since climate change had been a source of division among G8 countries and their civil society stakeholders since 1997 and was not a high profile issue in the public mind (Donnelly 2005). There were also speculations with the journalists few days before the summit started that the climate change document would either be the G7 one vs the USA, or no agreement whatsoever would appear¹⁶.

That is why it is not surprising that the document on climate change was only agreed upon at the very last moment. Forecasts of the failure on the issue appeared in press after Guardian published the leaked documents on the course of negotiations on July.

Although in addition to leaders' declaration on Climate Change, Clean Energy and Sustainable Development adopted a rather long 10-page Plan of Action, the formulas used in the final document actually allow each G8 country to interpret the problem the way they want.

With the first day considerably devoted to the issues of global economy, a document was adopted on the situation in the global economy and international oil market. From the very start it was supposed to be a very voluminous and far reaching document, but G8 countries actually failed to provide for comprehensive and innovative ideas.

A big share of discussion was devoted to necessity of investing into alternative energy resources, mostly into conducting research in the sphere of auto engines. It was agreed on the outreach session with the five fast growing economies that modern economy required flexibility, although mostly being dependent on oil and gas (with greater emphasis on gas further on).

¹⁶ Those who are in a certain degree familiar with the way this elite club functions would know that no G8 country would allow for the crack down and disagreements prevail and thus discredit the united western front on the international arena. If there are profound divergences within the club, then they would either drop the issue completely or (which happens most of the time) adopt a document with no substance and only general wording.

Energy security topic was also chosen by the Russian presidency as one of the three priorities for the G8 St. Petersburg Summit. Russia is a big player in this sector, being the second largest exporter in the world, and it is not but natural that RF is among the most active participants in the process of formulating the new energy security paradigm.

During the Russian presidency there were a number of initiatives and ideas adopted by the G8 leaders.

To underline major coinciding interests of all interested parties in the energy sphere one might cite those, identified during the G8 St. Petersburg Summit. They include:

increasing transparency, predictability and stability of global energy markets;

- improving the investment climate in the energy sector;
- enhancing energy efficiency and energy saving;
- diversifying energy mix;
- ensuring physical security of critical energy infrastructure;
- reducing energy poverty;
- addressing climate change and sustainable development.

From the very start Russian host tried to achieve an agreement of all the G8 partners on the common, comprehensive definition of the energy security. Although there was a limited success in that regard. The G8 Declaration on energy security stated that its leaders are committed to “enhanced dialogue on relevant stakeholders’ perspectives on growing interdependence, security of supply and demand issues”¹⁷ and realize the importance of the diversification of both, energy demand and supply, which at that point was a major breakthrough, since the other partners favor a more narrow approach, taking into account only demand side of the problem.

The provision of “transparent, equitable, stable and effective legal and regulatory frameworks, including the obligation to uphold contracts, to generate sufficient, sustainable international investments upstream and downstream” if honored by all sides presents a positive example of cooperation, further on elaborated in the St. Petersburg Plan of Action. The Russian host managed to insist on the line about “better risks sharing between all stakeholders in energy supply chain which will ensure reliable and sustainable energy flows”. To these ends importance of “economically sound diversification

¹⁷ St. Petersburg G8 Summit Declaration on Energy Security, 2006, July 16, available at: <http://en.g8russia.ni/docs/11.html>.

between different types of contracts, including market-based long-term and spot contracts” was acknowledged.

Another important statement agreed upon was the one on huge investments in all links of the energy chain, with the priority spheres being specified as follows:

- electricity generation, including “to build new, more efficient power plants, upgrading existing plants to include wider use of renewables, and to construct transmission lines, develop interregional energy infrastructure and facilitate exchange of electrical power, including trans-border and transit arrangements”;
- introduction of advanced energy efficient and energy saving technologies with the view to “consider national goals for reducing energy intensity of economic development” (such practice existed in the G7 at the beginning in the 1970s);
- complementing existing regional systems of pipeline gas delivery with the system of forming global LNG market in order to lower investment risks etc.

From the very start the problem of peaceful use of nuclear energy was planned as a high profile theme for St. Petersburg Summit, as a source of energy more environmentally clean (from the point of view of GG emissions) and alternative to the hydrocarbon sources, but due to serious resistance on the part of Germany and Italy, there were found a rather vague formula on agreeing not to agree.

Similar situation was noticed with the problem of Kyoto Protocol, if the year before the USA acknowledged that global warming constitute the result of the activities of the mankind, the year of the Russian presidency European countries made a bigger accent on the necessity of the dynamic emerging countries (such as China and India) to adhere to the international efforts on mitigating climate change (main point of the United States for not adhering to Kyoto Protocol).

Next year in Heilighendamm a big part of the G8 Declaration on Growth and Responsibility in World Economy was devoted to issues of energy efficiency and climate change. The G8 leaders agreed, that to maintain the momentum of achievements of the previous years, they had to reaffirm their commitment to Global Energy Security Principles “including... commitment to enhance dialogue on relevant shareholders’ perspectives on growing interdependence, security of supply and demand issues, facilitate diversification of different types of contracts, including market-based long-term and spot

contracts, promote investment in upstream and downstream assets internationally, support the principles of the Energy Charter and the efforts of the participating countries to improve international energy cooperation”.

To make sure those achievements have real effect it was decided that it is vital to invite major emerging countries to dialogue on the topic. Thus appeared the Heiligendamm Dialogue Process that also postulated the “institutionalization” of the previously held outreach sessions with the major developing economies, namely Brazil, China, India, Mexico and South Africa, encompassed energy efficiency and cooperation in combating climate change as well.

From the start the German presidency suggested to concentrate on elaboration of national programs in this sphere, introduction of innovative technologies and international standards of energy efficiency in different sectors of economy, primarily regarding construction with the minimum or zero energy consumption from external sources, “clean coal” technologies and increasing coal power stations efficiency.

The view of the HP partner countries, to a certain degree supported by Russia was based on the belief that energy security questions should be also included into the discussion, putting forward Chinese initiative, formulated on the sidelines of the G8 St. Petersburg Summit. Energy efficiency issue thus could be complemented with the question of use of alternative and renewable sources of energy, such as wind, solar, geothermal, tidal, hydro-energy, PHV, bio-fuel. As a result the revised Concept Paper regarding HDP as of January 2008 stated that *“the dialogue partners will include in their discussions relevant aspects of energy security as contained in the Summit Declaration of St. Petersburg as well as proposed by the G5, focusing inter alia on enhancing mutually beneficial cooperation on energy development and utilization as well as capacity building for using demand side management energy systems”*. Support for the working group is to be rendered by the IEA, focusing on sustainable buildings network, enhancing energy efficiency in the field of power generation, alternative sources of energy and renewable energy.

Dual Crisis of Energy and Economy and the G8 Performance

The very last period started with the recent financial and economic crisis and the accompanying energy perturbations. The hydrocarbon prices plunged after reaching their peak in the summer of 2008. On the 3 of July the OPEC basket has augmented till \$140.73 per barrel, with the average price of the 2008 constituting \$94.45 per barrel. Meanwhile the first two months of 2009

average oil price was twice as low — a little bit over \$40 per barrel, and over the past months its been more or less stable, going up and down insignificantly and holding within the range of +/- \$50 -60¹⁸.

While the hydrocarbon prices remained high, there were a variety of different approaches to the root causes behind such a surge, with the oil depletion rates, fast growing emerging economies and political instability in a number of producer-countries being among the champions of the explanation. Meanwhile certain experts believed that this was determined mostly by temporary factors, some of them speculative in nature, like economic growth rate, governmental decisions about GG emissions and other environmental standards, biofuel production and unconventional renewable energy sources development, with special attention given to the low hydrocarbon prices over the previous period, which left the oil sector without sufficient investments and eventually led to its unpreparedness for the demand growth on the part of most vibrant world economies. So this explanation draws closer to the cyclical nature of economy explanation¹⁹.

As was the reason behind the 1970s crisis of the developed countries entering the period of transition to post-industrial stage of development, similar situation happened early 21st century, with this transition spreading to all the largest economies of the world. The current economic crisis among other factors emerged because the growth potential of the developed countries have largely been exhausted, so with the lack of entries for the cheap money, there came about a number of speculative bubbles.

At the Toyako summit G8 leaders faced challenges all too reminiscent of those that had inspired the G8's birth in 1975. In energy, world prices for oil, again driven in part by conflict in the Middle East, surpassed in real terms the previous peaks from the oil crises of 1973 and 1979, placing a new premium on energy conservation, efficiency, alternatives, renewables and climate control. Thus we could claim that previous G8 Summit that took place in Toyako constituted a start of the new era in dealing with the energy issues, introducing more engaged and wider (representatively and by the scope) approach to the problem.

Although the Japanese paid bigger attention to the issue of climate change and not energy security in its own right. At the Summit they've decided to

¹⁸ Tsena barrelya nefti OPEK snizilas' do 51 dollara / URL: <http://rian.ru/crisis/20090415/168184586.html> (accessed 15.04.09).

¹⁹ For more discussion on the topic see the ISEDC White Paper "Global Energy and Sustainable Development", 2009.

break up the issue to treat it in different parts of the text. This was a contrast to the unified treatment it had received at Heiligendamm and St. Petersburg over the past years. Energy security was dealt with in world economy section with a strong language, but with no reference to oil prices in the draft. Some countries wanted this added, but others did not.

The G8's 2008 Toyako gathering proved to be a summit of substantial success. It deserved a grade of B+, or 78% on the scale pioneered by Robert Putnam and Nicholas Bayne²⁰. It was highlighted by its striking success on its centerpiece subject of climate change, its substantial advances on development and Africa, health, food security, accountability and Zimbabwe, its solid management of its many other issues and its serious failure on the world economy.

Although unfortunately on the specific topic of the world economy and energy the G8 performance was poor, worthy of no more than a grade of C — (62%).

The statement opened with a suggestion that all was well with the global economy at present and that any negatives were merely future risks. On energy little was said and even less was done. While noting the “sharp rise in oil prices” they called for supply side measures that were well beyond control. On the demand side, there was no call for energy conservation or many of the other effective measures the G8 in 1979 had invented and endorsed.

The leaders did not discuss oil prices at any length. They noted the need to get oil producers and oil consumers working together, and referred to the emergency meeting in Jeddah and its importance. The African leaders said their economies were suffering because of increased oil prices, and that countries such as Nigeria and Algeria needed to help their fellow Africans. They recognized the responsibility of oil-producing countries, including themselves, to consider the impacts of high prices. The African leaders said that the dialogue between oil producers and consumers continued to be important. In this regard, they very much expected G8 leaders to show stronger leadership in conducting a dialogue with the Organization of Petroleum Exporter Countries (OPEC).

Biofuels was a contentious issue. The U.S. pushed for language on biofuel sustainability. They wanted the subject of biofuels in the energy security portion of the statement, rather than in the food security one. Not everyone

²⁰ For more details on that please see J.Kirton. A Summit of Substantial Success: The Performance of the 2008 G8.

agreed. But the conversations went well, with solutions on the language sought.

On nuclear energy several countries, including the U.S. sought a stronger endorsement than last year. The Germans continued to resist. But there were some grounds for hope for further cidoances in the eyes of the U.S., if not of the Japanese host.

Climate Change

Also in the past 15 years a new challenge has become more evident, that is climate change. Most scientific opinion attributes this phenomenon to growing greenhouse gas emissions from man's activity, with most of it derived from the energy sector. There is therefore an additional incentive to invest in energy R&D in order to develop less carbon intensive technologies to provide the world's energy services to be able to meet the challenges of the 21st century. The environmental concerns, especially in relation to climate change have come to the fore with most G8 countries claiming it to be among the priorities.

At the Toyako Summit it was planned that the G8 would confront these challenges head on, based on a plan the Japanese had prepared well over a year before they assumed the chair. It included the four multi-year commitments to be met in 2008 and the five remit mandates from 2007 that Japan had allowed into earlier G8 communiques. In keeping with Japan's highly strategic approach to G8 summitry, reaching several years back before it hosts (Dobson 2005), Japan from the start had decided to focus on climate change.

The key theme of climate change had initially been signaled by Prime Minister Shinzo Abe in March 2007. It was continued by his successor, Yasuo Fukuda, after the latter replaced him in September 2007. Here Japan sought ambitious results, in the form of G8 discussions on a "new framework that will ensure participation by the United States and China, the world's largest greenhouse-gas emitters"²¹

Climate change was still front and centre, and a subject of continuing debate. It was the issue where there was the least consensus, above all on medium and long-term goals. The U.S. veiy much saw it as a priority in regard to long term and medium term process. But it saw the Major Economies Meeting

²¹ Agence France Presse (2007) "Japan Aims to Lead Post-Kyoto Climate Change Fight", March 20.

(MEM) process as more important. The U.S. wanted to have the G8 endorse the MEM process that would offer long-term and medium-term targets from all MEM members. The U.S. also sought a strong G8 statement on clean technology.

Members tried to reach consensus that was useful and directive without crossing anyone's red lines. Europe and Japan were very respectful of not prejudging the MEM before its forthcoming meeting in Korea that would be followed by the G8 sherpa meeting on June 23. While the issue was contentious, there was much mutual respect in the room, with attempts from one side or the other to suggest where the targets belonged. There was a good conversation on how the G8 might move forward.

On the pre-eminent priority of climate change Toyako produced a full A performance. It affirmed a new set of norms that put in place a new architecture for controlling carbon. It was one of far more prospective effectiveness than the fundamentally flawed and failed Kyoto regime. The G8 with the MEM agreed for the first time that all major carbon polluters must control their carbon, that all G8 members, now including the United States and Russia would do so after 2012, and that the G8's long term goal was a reduction of at least 50% of emissions by 2050²². The G8 declared that midterm targets and national plans were needed, and that the bottom-up sectoral approach pioneered by Japan was a useful tool. G8 members boldly bound themselves to a far reaching midterm target, with the words: "...we acknowledged our leadership role and each of us will implement ambitious economy-wide mid-term goals in order to achieve absolute emissions reductions..." These bold directions and decisions were reinforced by several specific medium and shortterm actions. In the mid term, the summit identified as subjects for action energy efficiency, clean energy, national goals, renewable energy and clean coal, through the broad deployment of carbon capture and sequestration (CCS) technology by 2010. In the short term it specified the aviation, maritime, and sustainable biofuel sectors, a nuclear energy infrastructure initiative and 20 CCS demonstration plants by 2010.

To provide incentives for the other major carbon polluters to agree to this architecture and action plan, the G8 offered abundant finance, technology transfer, trade liberalization, and action on sinks, reduce-reuse-recycle (3R)

²² An alternative view, from an American political partisan, is that "... at the 2008 G-8 summit in Japan, Gerogy W. Bush agreed to a vaguely worded, an essentially meaningless "aspirational" goal on the reduction of carbon emission" (Holbrooke 2008).

measures and dialogue. On finance the G8 promised scaled up support for disaster risk reduction, \$10 bn in R&D with \$6 bn so far for the Climate Investment Funds, more for the Global Environmental Facility and a reminder that it was providing more than \$100 bn by 2010 to the Clean Energy Investment Framework (CEIF). On trade it offered free trade in carbon-reducing products, services and remanufactured goods. On sinks it supported Reducing Emissions from Deforestation and Degrading (REDD), legal logging, forest fire protection and biodiversity co-benefits.

The major developing countries responded, in partnership under the MEM, with just enough commitments to put the new G8-pioneered architecture firmly in place. They said clearly “we will do more” and we “will continue to improve our policies and our performance.” They further pledged to control their own carbon with the words “developing major economies will pursue... nationally appropriate mitigation actions... with a view to achieving a deviation from business as usual emissions.” For the long term they supported a “shared vision” of co-operative action with a “global goal for emissions reductions.” They bluntly affirmed that “deep cuts in global emissions will be necessary” and urged “serious consideration” of “ambitious IPCC scenarios”. They thus made a politically binding commitment to control their own carbon, just as the G8 had asked.

To give life to these commitments, the developing economies through the MEM declaration promised several actions that were highly compatible with the G8’s plan in the short and medium term. In the short term up to 2012, they endorsed the sectoral approach and through it promised to “improve significantly energy efficiency”. In the medium term they emphasized how sinks could help stabilize greenhouse gases in the atmosphere and identified deforestation, forest degradation, forest fires, forest governance and land use and its change.

Most broadly the MEM endorsed an approach that was quite compatible with that of the G8. There was a convergence on the basic principles in both. There were only three major differences: the MEM’s emphasis on the UN process; on financing, technology transfer and capacity building; and its refusal to identify “at least 50% by 2050” as the long-term goal for themselves.

Amidst this major movement there were some missed opportunities to control climate change. First there was only a small step to endorse nuclear energy as a critical zero-emission source. Second, there was no effort to end the use of carbon-saturated coal, beyond the endorsement of the experimental,

unproven technology of CCS. Third, there were no specific measures to stimulate renewables such as wind, solar, geothermal and hydro, although second-generation biofuels got a verbal boost. Fourth, energy conservation and the need to reduce received only a passing nod. Fifth, there was no direct affirmation of, or major movement on, the 1997 commitment to reduce greenhouse gases by 2010 — now only two years away.

Criticism came from some that G8 leaders were making their 50-2050 commitment from different base years, rather than from the Europeans' Kyoto favourite of 1990. This criticism had little merit. There was no scientific rationale for 1990. The increase in emissions between 1990 and 2008 was much smaller than the business-as-usual increase in the 42 years from 2008 to 2050. The promise of “at least 50%” meant in Japan's case a 60-80% reduction, with the additional cut more than compensating for the 1990 to 2008 change—a 1990 base would mean that countries such as Germany would do less. And there was never any chance that the U.S. or 05 would accept 1990 as the new base year for themselves.

Reasons for Success of the Energy and Climate Change Issues in Toyako

A push toward high performance flowed from several forces. The first was the shock from oil prices reaching historic highs, from cyclones and floods that showed the costs of uncontrolled climate change, and from bank bankruptcies hurting G8 citizens already suffering from soaring food and gas prices, falling home and stock prices, contracting credit and confidence, and slowing wages and jobs. A second force was the internally equalizing and globally predominant capability among G8 members, thanks to an economically slowing U.S. with its dropping dollar, a rising Japan and Russia, and an expanding European Union (EU) and strengthening euro. A third force was the common commitment of the G8 countries and all their 16 invited participating countries but China to the G8's core values of open democracy, individual liberty and social advance, as applied to energy security, African development, Zimbabwe, Afghanistan, Myanmar, the Middle East, North Korea and Iran.

However, several substantial obstacles stood in the way of a strong summit success, with a big breakthrough codified in quantitative targets and timetables on climate change. There were no severe shocks to security, energy supply, national financial systems or health to show the G8 leaders their countries

immediate vulnerability to global threats from outside and propel them into the high performance of past summits such as Japan's first in 1979. Moreover, the UN system had already made promising efforts to respond to clean technology investment, the global food crisis and nuclear proliferation in Iran, if not to human security in Zimbabwe, Myanmar and Sudan. The UN also offered an alluring Kyoto protocol precedent as an alternative process and a 2009 deadline to tempt some G8 and 05 powers to delay acting on climate change at Toyako in the self-interested hope of getting themselves a better deal later on. Many of the most powerful G8 members, including host Japan, sent to the summit leaders who did not firmly control their parties or legislatures, who were deeply unpopular with their voters, and who would not be in office long enough personally to deliver the promises they made. There was a particularly strong temptation to delay doing any big deal on climate change, health, development and trade until 2009, when a new American president and Congress would arrive to fulfill the hope that they would accept and deliver the G8 and 05 partners' most audacious demands. Finally, with eight invited African leaders participating in the summit's first day, and the world's eight other major emitters and emerging economies on the third, there was only one day in the middle for the G8 leaders to be alone to mobilize their collective political will and responsibility to lead the world, on issues as complex as the financial, food and energy crisis, and much else.

In the end, they used their short time to good effect. Their invited partners joined all G8 colleagues in the critical task of controlling climate change, just enough to make the summit a clear success. America's George Bush and China's Hu Jintao showed that they were true statesmen, by making the adjustments needed to produce the badly needed big global deal on climate change. With America, its Congress and Bush himself already moving in this direction, Hu's ecologically vulnerable country assumed a global responsibility commensurate with its global rise. Japan's high-risk summit strategy thus paid off. Despite all the odds, Prime Minister Fukuda as G8 host proved to be a global statesman of the first rank.

Other Multilateral Mechanisms in the Sphere

Energy security has come to the forefront not only of specially vested with those matters the G8 club and respective international organizations and agencies, but also the universal United Nations Organization and its family. Also energy security has become concern of a wider international community, with

non-traditional actors coming out with new initiatives and ideas. There was a recent proposal on the part of Belarus, which was supported by the President of the UN General Assembly, to convene an expert thematic dialogue on the topic of renewable energy resources use, energy efficiency and energy saving, which would involve relevant agencies, like UN-Energy, plethora of specialized international organizations, and representatives of the individual states.

Thus in the sphere of multilateral regulation there is still no progress and a non-comprehensive system remained in place: International Atomic Energy Agency (IAEA), World Bank (dealing with energy poverty) and Atlantic-centric, plurilateral International Energy Agency (IEA). Much like the Organisation for Economic Co-operation and Development (OECD), these bodies functioned more as a G7 secretariat or platform (with Russia still excluded) than a global governance forum on their own. Nor did the multilateral system contain any established body to deal with the fast emerging renewable, alternative and efficient energy fields. No new or extended institutions or action of any consequence came even as oil prices double to historic highs within a year.

The multilateral architecture in this sphere remains fragile and fragmented though, for the United Nations Commission on Sustainable Development (UNCSD), the United Nations Environment Programme (UNEP), the World Meteorological Organization (WMO), the secretariat of the United Nations Framework Convention on Climate Change (UNFCCC) and the secretariat of the Convention on Biological Diversity (CBD) showed few signs of growing coherence or capability. The UNFCCC continued to focus on emissions sources, with little coordination with a CBD that had expertise in sinks. The UNFCCC's Conference of the Parties (COP) in December 2007 at Bali added nothing essential to the Heiligendamm framework on long- or medium-term targets to help define a fast-approaching "beyond Kyoto" regime. Its belated recognition of the role of avoided deforestation did not propel it to a broader inclusion of the sinks that the G7 had agreed were equally important at the summit George H. Bush had hosted in Houston, Texas, in 1990²³. Nor did its two follow on meetings in 2008 advance the likelihood of agreement in Poland at the end of 2008 or Copenhagen at the end of 2009. They and the energetic, G8-centric new plurilateral institutions — the American-pioneered

²³ As measured by deforestation, the greatest contributions to greenhouse gases were the U.S., Brazil and Indonesia, rather than the standard emitters of China, the U.S. and Japan. There was thus a strong logic in having the 05 and additional Asian three at the summit to deal with climate change.

Major Emitters Meeting (MEM) of 16 countries, the Asia Pacific Partnership (APP 7) of now seven countries (with the recent additional of Canada), the ministerial Gleneagles Dialogue and the Heiligendamm Process energy efficiency group — needed the G8 summit if their work was to culminate in the intended way.

The Record of Rising G8 Energy-Climate Performance

The G8 has thus proven to be an effective, expanding governor of energy, climate and their connection in several ways. Ideationally, the G8's seminal 1979 consensus on stabilizing carbon concentrations through energy conservation, efficiency, alternatives, nuclear power, investment and technological innovation was restored and reinforced in 2005-2006 by a new consensus on the centrality, urgency and comprehensive nature of the energy-climate connection itself. In initiatives and their implementation, the Bush-Blair breakthroughs of 1990 and 2005 have been central in producing this new consensus and converting it into ambitious commitments and high compliance to put it into effect. Institutionally, the G8 has combined energy and climate actors in new G8-centred bodies, most vigorously in 1979-1980, again from 2003 to 2005 and, above all, when George W. Bush hosted in 2004. Inclusively, the G8 at the summit and ministerial levels has increasingly involved the other consequential energy and carbon-producing and carbon-consuming countries, in a balanced G8-guided way.

The Causes of G8 Energy-Climate Performance

Why the G8 has performed so well in the interconnected energy-climate domain? From the analysis above and other work explaining G8 performance, several factors stand out.

The first is shock-activated vulnerability in the energy domain, as measured by high world oil prices. The energy shocks of the 1970s and 2004-2006 showed G8 powers, led by its most capable oil-short members of the U.S., Japan and Germany that they must move away from carbon-creating oil use, and toward largely cleaner fuels. Energy shocks also equalized capability within the G8, among the otherwise overall greatest powers of the U.S., Japan and Germany, and the overall small but energy rich powers of Britain and especially Canada and Russia, thus providing a basis for balanced deals to be made. Here it is important that energy rich Canada and Russia are Kyoto members, even though their superpower neighbour the U.S. is not. It might be add

ed that while shock-activated vulnerability from terrorism generates high G8 energy performance, it does not do so on the energy-climate connection itself. The latter was forged so well at Gleneagles on the basis of American adjustment in the days before the July 7 terrorists struck in Britain. It was forged so poorly in 2002 at the first G8 summit after the September 11 terrorist attacks in the U.S.

A second cause is iteration, both in the summit agenda and in the institutionalization that gives greater continuity and depth (Bayne 1999). By 1979 when it first took up “carbon dioxide,” the G8 had a history and an official-level base for dealing with energy in a de facto carbon-constraining way. Similarly, Bush’s great outburst of energy-climate institutionalization in 2004 provided a basis on which Blair could build in 2005. The latter in turn provided the intellectual foundation on which the G8 acted, in its commitment to commit to Gleneagles, at St. Petersburg in 2006. Yet the record from 1980 to 1981 and afterward shows that iteration and institutionalization alone are not strong enough to make a difference when energy prices and economic growth plunge to the levels they did in 1981 and the immediately following years.

The third cause is the agency of individuals, especially from an experienced, skilled and committed G8 leader who serves as the summit’s host. Among the two-time summit hosts, Tony Blair did nothing on energy or climate at Birmingham in 1998, amidst the competing call of the Asian-tuned-global financial crisis and world oil prices dropping to US\$11 per barrel. But he did his second time at Gleneagles 2005, just as Britain was turning into a vulnerable net importer of oil and gas, and just as the science was showing global warning and its rising sea levels could be destructive for small island states around the world. In sharp contrast, Jean Chretien, the Canadian prime minister who had previously served as energy minister — but never environment minister of his hydrocarbon-rich country hosted in both 1995 and 2005, when world oil prices were low and financial and terrorist shocks high, and was thus not forced to learn to connect energy and climate and put his summit to work in this way. It remains a question for further research how much George W. Bush at Sea Island 2004 had learned from his father George H. Bush as host of Houston in 1990. What is nonetheless clear is that leaders can craft their commitments at a summit in ways that enhance the chances they will be complied with, and this that their premises forged and promises made will thus be turned into promises kept (Kirton 2006).

It is worth stating that the G7/G8 activities, along with the work done in the other international organizations like IEA, in the energy sphere contributed greatly to countering energy shocks generated by the military, political and structural risks. The policy of the leading industrial countries in the sphere led to an overall stabilization. Countries turned and effectively implemented high energy saving technologies, that allow for the rapid economic development (or recovery). Changing the world energy balance helps not only to achieve the economic ends, but also plays a big role in achieving environmentally sustainable development (with moving to clean and alternative energy sources). Another aspect is that actions taken to diversify energy supply and demand, create and increase oil reserves etc. substantially reduce the risk of repeating energy crises in future.

To generalize the G8 discussions on energy issues one could see that basic priorities of future G8 strategy are focused on adopting measures stabilizing world energy market; creating new infrastructure capacities for this market; rendering assistance to the poorest countries (energy producers as well as consumers); setting rapid reaction systems to the international energy security threats. Besides a big share of attention is given to neutralizing negative environmental implications of current world energy development, elaborating new energy technologies, including alternative energy sources.

The framework of the above said leads to several general tendencies for the G8 measures that are currently being worked out. Primarily it concerns the world energy market stabilization, with first place given to price situation. Natural factors of energy resources supply nowadays could be evaluated. Energy crisis as such is less dangerous for a world energy order, then it was in the 1970s, since today oil and gas exporters became organic element of globalized economy. Nowadays the interdependence of not only all actors on a global scale, but of all components of the global architecture, leads to the situation, when a combination of finance and economic problems leads to the deterioration and instability in the energy domain. Thus, the G8, EU and G20 in order to prove their adequacy and efficiency have to fight all the plethora of above mentioned issues.

Major systemically important countries have primary responsibility in ensuring that steps are taken in energy security sphere in order to increase predictability of world energy market, promote transparency flows, take preventive measures on infrastructure development, coordinate exporting and importing countries' interests, taking into account their current and prospective place in the world economy.

Apart from the military protection of unstable oil-exporting regions there are more aspects of international energy security: protection against shortterm shocks (in this regard the G8 actively support the strategy of increasing strategic oil reserves in line with other international organizations (like IEA, EU), and possibility to direct funds, allocated for explorations, directly to the world energy resources centres.

The problem with the first component lays with the reality that developing countries usually don't possess such reserves. Since among the fastest growing economies are the developing countries, they could suffer a huge blow in case of a short-term shock (that's where lay the possibility for assistance from the G8 and OECD). With the second aspect mentioned, there are possibilities for the G8 action in examining ways of improving legislation for the international investments into energy sector, since many rich in oil regions suffer from bad governance, which hinders foreign investment flows. That is why it is essential to preserve at minimum the Heiligendamm Dialogue Process, with the G8 + G5 solving the most urgent energy security issues in close cooperation with each other.

As showed above, with rather substantial progress, there still exist plenty of dangers for further sustainable world energy and economic development, which leaves a big role for the G8, IEA, IEF and others to play in future.

Proposals to Improve the G8's Energy-Climate Performance

Thus, to realize this potential, one could consider suggesting the following to the G8 leaders:

1. *Development Assistance for Clean Energy and Climate Control.* Pledge to deliver the already promised doubling of official development assistance (ODA) to Africa and other developing countries in ways devoted to ensuring maximum carbon mitigation (rather than merely adaptation) there. Change the initial draft of their Africa document, which says they will devote their attention and ODA to many goals other than climate change control. Reorient their bilateral development assistance programs and agencies and the work of other international institutions where they are influential (such as the regional developments banks and the OECD) to this end.

2. *IFI Reform for Clean Energy and Climate Control.* Instruct the IMF and World Bank, whose executive board the G8 members control, to devote their lending, conditionality and other operations and processes to move the world toward the clean energy systems and stabilized climate which the G8 has set as goals. Such a reorientation would give the IFIs the valuable 21st-century mis

sion they are searching for in today's globalizing world. Controlling climate, not corruption or contagion, should be the central focus for their future work.

3. **Rely on Russia.** Move clean Russian natural gas to North America to replace at the margins America's dirty coal and Canada's relatively high-cost heavy oil. Encourage Russia to move like Norway did, to rely on hydroelectricity and other clean renewables for domestic consumption, saving its gas and light oil for export to its neighbours and friends. Ask Russia to sell Kyoto-countable credits to its G8 partners who need them, not as a reward for the hot air it did not produce in the distant past as its Soviet-style economy collapsed but to finance new investments through joint programs of technological development to meet shared needs in critical places such as the high Arctic frontier. Employ the proven assets of the Global Partnership for clean energy, starting in the nuclear energy field.

4. **Build G8 Bodies.** Regularize the G8 energy ministers forum by having it meet annually by itself or together with the environment ministers, or both. Recreate a modern version of the 2000-2001 Renewable Energy Task Force on a G8 Plus Five basis, under the joint chair of an appropriate G8 member and an appropriate Plus Five one. Invite the G20 to meet at the leaders level in an L20 to focus on the energy-climate connection, in 2007 or 2008 when the Plus Five powers of South Africa and then Brazil hold the G20 chair.

5. **Set the Proper Principles.** Start with the need to stabilized GGE concentrations at scientifically acceptable levels, and secure this target through actions on both emissions and absorption (including sequestration, capture and storage) and thus both sources and sinks. Approve a shift toward the climate friendly polls along each spectrum and where they intersect (eg. Forests as fuel-wood sources or carbon sinks, agriculture as ethanol sources or sinks).

6. **American Action.** Ask America to do what it does best in a G8 context, notably spend on R&D, technology and investment, act on renewables and build G8-centred institutions for energy-climate integration, especially those where the other "Plus 5" powers are involved. Allow America to meet part of its commitments (as the Europeans long have) as part of its new post-1992 regional communities, notably its North American and Western hemisphere "families" now institutionalized through regular summits of their own (in the way the European Community/Union has long been). Aim for an ambitious overall G8 plus 5 package that allows each to do what it can best do, rather than have each commit to do exactly the same thing across the board.

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Chapter 11

G8 Financial Crisis Governance

John Kirton

Introduction

The Group of Eight (G8) has had extensive and even existential experience with financial crises (Kirton 2007). The groups creation was driven by financial crises created by and in the US, in the form of the Nixon Administration's unilateral destruction of the Bretton Woods system of fixed exchange rates on August 15, 1971 and the imminent bankruptcy of New York City at the time of the first summit at Rambouillet in November 1975. Then came a succession of real and potential crises, notably Britain's need for support from the International Monetary Fund (IMF) in the mid 1970s and Italy's need in 1976, the developing countries debt crisis of the early 1980s, the American stock market plunge of October 1987, the attack on the European Monetary System (EMS), the Mexican peso crisis starting on December 20, 1994, the Asian-tuned-global financial crisis of 1997-1999, the 9/11 terrorist attacks on America, the Enron-dot.com bust and the America-tuned-global financial crisis from 2008 to now. Since the G8's 1975 start, such crises have been created by others to afflict a vulnerable America, and been created by America to attack the rest of the world. In both cases such crisis have been conscious, calculated controlled and targeted, as on August 15, 1971 and September 11, 2001, and unconscious, uncalculated, uncontrolled and untargted events characterized by contagion, complexity and uncertainty that no one can fully comprehend, as in the global crisis from 2008 until now.

G8 and European Union (EU) governance of global financial crises, in an era of intense globalization, can best be seen by focusing on the financial crises erupting in 1997 and 2008. The international financial crisis that began in Thailand on July 2, 1997, and quickly grew to affect the global economy outside Europe, was one of the defining international events of the second half of the 20th century. In the judgement of United States (US) president Bill Clinton and others, it was the world's worst financial crisis in 50 years. It destroyed the Asian export-led growth miracle of the post-World War Two period that had long been presumed to be permanent. It assaulted the liberal

economic ideology of growth through open trade and financial markets — the globalization consensus — that lay behind that miracle. It blunted the hope of many other emerging market economies in Latin America and elsewhere, which had joined Asia in the 1990s, that this was the proper path. It threatened to reverse a decade of hard-won progress toward the historic G7-guided accomplishment of the post-Cold War era — the peaceful transformation of Russia into a democratic, market-oriented country, fully integrated as a ranking member of the international economy and its governing institutions. Above all, with its unprecedented speed, spread, severity and systemic impact, the 1997-1999 financial crisis suggested that in the newly globalized world economy, national governments and their classic intergovernmental organizations, led by the IMF, were no longer in control.

Almost a decade later, another financial crisis erupted, this time an American-tuned-global one that affected transatlantic Europe from the start. The sub-prime mortgage-generated credit crunch that erupted on Main Street, side streets and then Wall Street in America in the summer of 2007 grew rapidly to become a devastating global challenge by 2008. It brought the death of American investment bank Bear Stearns, and then the run on and rescue of Britain's Northern Rock Bank, the first in that country in over 100 years. By January 2008 it featured a rogue trader who cost France's second largest bank, Societe General \$7.3 bn, in a move reminiscent of Nick Leeson's bankruptcy of Britain's Baring Bank in 1995. But, above all, this crisis featured a general lack of transparency and trust in global credit markets, beginning for the first time in America and across the Atlantic but rapidly spreading through a globalized world.

A close examination of the G7/8's response to the 1997-1998 and 2007-2008 global financial crises sustains the case for effective, concert-based, G8 governance, with the EU playing an increasing but still largely regional role. G8 effectiveness came not in proactive or prescient preventative measures, inspired by the precursor 1994-1995 Mexico crisis, the subsequent Baring Bank collapse and the 1995 Halifax summit achievements, nor even through incremental iteration (Bayne 1999). Rather it came reactively, through flexible innovation on a just-in-time disaster-avoidance, common aversion cadence. At the critical moment G7 governments, through their established institutions and new mechanisms, at the official, ministerial and ultimately leaders' level, acted collectively at the height of the global phase of the crisis to contain the burgeoning disaster, by stopping a rapid contagion and restoring confidence to markets gripped by proliferating panic. In short, the G7 successfully

managed markets that had gone mad, hegemons that were themselves infected, multilateral organizations immobilized by their legalized charters and procedures, and less powerful regional governments gripped by fear. It did so with its globally predominant, equally shared financial capability, in response to the new globalized vulnerability of even the most powerful national economy, as successive shocks immobilized America's markets and domestic politics and overwhelmed its available resources. In such a situation, the shared sense of systemic responsibility, the common desire to defend and extend democracy and the flexibility of a small informal institution inspired and allowed the G7 to act effectively in America's stead.

These accomplishments were the results not of a hegemonic America using the G7 as a convenient legitimizing or burden-sharing tool, nor of an American acting in tandem with support from the strong second of a Japan, Germany or even Anglo-American associate and former hegemon Britain. Rather, it was the result of concerted collaboration in which all country members — even the weakest — played influential leadership roles, on an intellectual, policy and structural level. The ability of all members of the small group to act quickly to mobilize and deploy the overwhelming resources required to calm markets, their use of the crisis to further internationally the democratic and social market principles they shared, and the ultimate role of elected ministers and leaders in generating innovative responses, were key to the G7's success.

In this G8 governance, and subsequently in its expanded form of G20 summit-level governance since November 2008, the EU was a relatively minor player, as fluid trans-regional coalitions rather than self-contained regional blocs dominated diplomacy and alignments among G8 members. In the Mexican crisis of 1994 and the Asian-turned-global crisis of 1997-1999, the EU, led by popularly unelected Presidents of the Commission or its chair of the Council that changed every six months, behaved predominantly as a regional governor wedded to hard law organizations and their procedures. It saw Mexico as America's or at best North America's problem. The EU and its European members saw the 1997 crisis as Asia's problem, and subsequently as one where the slow moving legal formalities and procedures of the IMF that the EU major members dominated had to be respected. Only with the American-turned-transatlantic and global crisis of 2008, and the advent of G8-led G20 summit level governance, has the EU increased its involvement an impact as a regional institution and begun, as a global actor, to play a more active role

in providing global public goods. Even so, its essential character as a regional intergovernmental organisation in the field of finance remains intense.

The Asian-turned-Global Financial Crisis, 1997-1999

The world and the G7 has a foretaste of how financial crises of the old and new variety could erupt in an era of globalization in 1994-1995 when Mexico suffered an old style balance of payments crisis and when speculative excesses by a rogue trader led to the collapse of Barings Bank (Kirton 1995; Daniels 1999; Wood 2005).

The first crisis, ignited by the collapse of the newly floating Mexican peso from December 20, 1994 onward, saw the US respond unilaterally with financial assistance to support its new NAFTA neighbour. IMF procedures and politics prevented that body from acting sufficiently swiftly. Its ranking, over-represented European members, preoccupied with the plight of neighbouring Russia to the east rather than their new OECD partner Mexico, were reluctant to contribute to what they saw as a distant regional all Amercian concern. Among the G7, only NAFTA neighbour Canada joined the US in providing timely and robust support, while Mexico's new OECD and APEC partners stood idly by. Here the EU was not involved as an actor, but as a regional institution that helped keep the EU's G8 members inward looking and focused on regional preoccupations, above all a democratizing and reforming Russia, rather than assuming their responsibilities to provide global public goods half a world away.

Within weeks of the G8's Denver Summit in June 1997, the Asian-turned global crisis erupted, although its dimensions were by not recognized for some time. When distant, diminutive, if democratic Thailand precipitated the crisis by devaluing its currency on July 2, 1997, there was little sense of a common or systemic threat. European G7 members saw the issue as a regional Asian responsibility. The US was equally prepared to leave the problem to the Asians. By August 1997, when a US\$17 bn support package for Thailand had been assembled, neighbouring Japan, the regional hegemon with extensive economic interests in the country, was the only G7 member to contribute national funds. Regionalism still prevailed. By September 1997, when G7 Finance Ministers met in Hong Kong at the time of the semi-annual IMF meeting, they did agree to a 45 per cent increase in IMF core resources, to strengthen IMF involvement in financial sector reform, to improve national governance by reducing corruption, and to expand the allocation of special drawing rights (SDRs). However, they still believed that further financial liberalization was

the answer. They agreed over the objections of only Canada, to amend the IMF Articles of Agreement within the year to make the IMF formally responsible for sweeping capital account liberalization.

In the autumn, the crisis and G7 involvement spread to still distant, but large and dictatorial Indonesia, the world's fourth most populous country. When a support package for a beleaguered Indonesia was assembled, Japan was now joined the US as a contributor to a hastily assembled new "second line of defence" of national funds, to be deployed if those of the IMF and other international financial institutions (IFIs) proved insufficient. In November, the G7 formalised this second line of defence and moved to ensure that all members had the legislative authority to contribute to it.

By December, this Asian financial "flu" had spread to the more proximate, large, democratic and new OECD partner of South Korea. Now all G7 members acted together from the start. In early December, the G7 agreed on a support package for South Korea of US\$35 bn from the IFIs, to be reinforced, if necessary, by a second line of defence. To this second line, Japan pledged US\$10 bn, the US US\$5 bn, each of the European G7 members US\$1.25 bn, and Canada US\$1 bn. Shortly after the South Korean won plummeted in the face of a speculative market attack, G7 members agreed to activate the second line in return for an agreement from their private banks, pushed by the US and others, to roll over and reschedule their South Korean loans. This private sector burden sharing agreement was particularly valuable in light of the difficulty the US government was having in securing congressional authorisation for its share of the IMF quota increase. The US secretary of the treasury, Robert Rubin, who had hoped that the mere existence of a large package with a second line would reassure markets, now agreed with his other G7 partners that American dollars would be forthcoming. The 24 December announcement that national funds would indeed flow proved sufficient to stem the market's assault on the won. No national funds actually had to be expended in exchange markets, as the clarity and credibility of the G7's commitment was sufficient to deter market players from further attacks (Kirton 2002). G7 governments acting together had beaten panicking markets in this new globalised game of financial deterrence.

This G7 action immediately lessened the pressure not just on South Korea but on the surrounding Asian economies as well. However Suharto's dictatorial Indonesia resisted IMF prescriptions and suffered further attacks. As its situation deteriorated, the US, reinforced by Germany and supported by the other G7 members, intervened. On 15 January 1998, the IMF and Indonesia

negotiated a letter of intent under which Indonesia accepted revised economic targets and more far-reaching structural reforms. The full G7 had now joined in to save Indonesia, and in the process to reform it in the economic and political domain.

By April 1998, it became evident that now afflicted South Korea and Indonesia would be unable to meet their pledges, made in the summer of 1997, to the support package for a still struggling Thailand. Canada (1998c) assumed the Indonesian share of US\$500 mn for the Thai support package. Canada was the only country from outside Asia to make a contribution to Indonesia. Here the American administration-the obvious trans Pacific contribution-was deterred not by fear of globalized markets (Bergsten, Henning 1996), nor by a domestic political "lessen of the past" (Putnam, Bayne 1996). It was concerned about congressional criticism of a "bail-out" and any use of the Exchange Stabilization Fund (as in the Mexican rescue package of 1994-1995). It refused to contribute. In giving when the US could not, Canada became part of a "first line" program. Its disbursements, which started to flow in June, ultimately totalled US\$300 mn.

The Asian phase of the crisis was thus contained through concerted, if just in time, G7 action. In a clear display of their power over markets, G7 governments often prevailed, and did so at times without actually expending national funds. Instead, they induced the IFIs, banks, and other private sector actors to provide the required liquidity. Moreover, in mobilising these additional funds, a congressionally constrained US was led to follow the policy leadership of its G7 colleagues, and often rely on the structural leadership which these partners, from second-ranked Asian Japan through sixth-ranked European Britain to seventh-ranked North American Canada, made available in the form of new national funds. In such a situation, intellectual leadership also flowed freely and effectively from the G7's lesser members. Britain and Canada, on opposite sides, drove the debate over capital account liberalisation, and Canada, with relatively few Asian investors of its own to protect, pushed with some success for significant private sector participation.

With the acute phase of the Asian crisis over, G7 leaders and Finance Ministers turned their attention from crisis response to system reform for the Birmingham Summit in May 1998. British Prime Minister Tony Blair as host focused as one of the Summits three central themes on finance (Kirton, Kokotsis 1997-1998; Hodges et al. 1999; Bayne 2000). He also gave G7 leaders a full half-day immediately prior to the opening of the G8 to address finance and economic issues, rather than forcing them, as at Denver, to find a few

minutes between G8 sessions to deal with the subjects that had historically been at the G7's core. Here, with the President of the EU Commission present, they stressed the need for improved transparency, early warning, and private sector burden sharing. Canada secured an endorsement for the concept behind its major initiative of establishing a mechanism for peer review of national banking and financial system supervisory authorities. Because France preferred to invest the supervisory function in the IMF under its Article 4 consultations, and Britain wanted to use a joint IMF — World Bank mechanism, the decision on how to implement the concept was left to the G7, IMF, and World Bank meetings in the autumn.

The second phase of the crisis came in the summer and autumn of 1998, when the financial crisis went global, and arrived in broader Europe, next door to the EU. Following further disquieting events in Asia, on August 17 Russia unilaterally devalued its currency and rescheduled its debt, only three weeks after receiving yet another large IMF support package that mobilised the funds of the General Arrangements to Borrow (GAB) for the first time in two decades. Although no one within the G7 had been enthusiastic about the prospects for the July package, the speed of Russia's collapse and the shock of its default and devaluation brought home the message that no country, even a member of the G8, was too big to fail. It was soon apparent that the IMF, which still lacked the agreed-upon quota share increase as a result of American political stalemate, might not have sufficient funds to cope with crises on this scale. However, with the crisis in the greater European region, the G7 looked to Germany to take the lead. This time Germany applied its longstanding policy of "help for self help" with the judgment that Russia was unwilling or unable to help itself. Germany thus decided to let Russia go down. Its G7 colleagues followed suit.

The contagion, driven by plummeting commodity prices, soon spread to the emerging economies of the Americas, as interest rate spreads ballooned in all emerging markets. Brazil, which had a large fiscal deficit financed at floating interest rates, was particularly hard hit. As its interest rates soared, capital started to flee the country at the rate of up to US\$1 bn a day. In early September, Colombia devalued its currency. Moody's downgraded Brazil's foreign currency bonds. Stock markets in the US, Canada, Mexico, and the rest of the Americas continued the sharp fall begun in mid-summer.

By late August, the US itself came under attack. As even healthy companies in the US found it difficult to borrow money at reasonable rates, fears of an international credit crunch arose. The crisis peaked in mid-September with

the *de facto* collapse of Long Term Capital Management (LTCM), an American hedge fund, and its rescue by major American financial institutions under the guidance of the Federal Reserve. While the rescue was reassuring, the fear that similar hedge funds might be on the verge of collapse compounded the move toward a freezing of credit markets in the US. Along with continuing congressional refusal to authorise the US share of the IMF quota increase, this meant that the world was deprived of its traditional reliable lender of last resort. Indeed, the hitherto vibrant American economy was itself, in the minds of many, on the verge of being engulfed by the cascading crisis.

Throughout, Canada, along with the US, Britain, France, and others, led in the IMF and other fora, by producing and pressing for detailed proposals on many items on an expanding crisis response and system reform agenda. On 17 September, President Clinton publicly outlined a package that emphasised the desirability of interest rate cuts, a new IMF precautionary lending facility, and support for Brazil. Canada's Paul Martin, dissatisfied with the central thrust of the American plan and judging that markets needed a stronger signal that governments were in control, prepared his own package. This he unveiled at the Commonwealth Finance Ministers Meeting in Ottawa on 29 September, just before the 3 October meeting in Washington of G7 Finance Ministers (Canada 1998a).

The 3 October G7 Finance Ministers meeting in Washington, held amidst what President Clinton called the worst financial crisis in 50 years, concluded by signaling an easing of monetary policy to provide needed liquidity. Canada, the US, and Britain promised to maintain conditions for sustainable growth. Continental European members did not. The EU's big four G8 members were once again divided, with the continental countries opposed by Britain across the channel.

The communique also supported IMF programmes and a proactive role for the G7, through the IMF, the new Group of 22 (G22), and elsewhere on architectural reform and a consensus on the core principles to guide it. Canada, along with Britain and the US, pushed successfully for an emphasis on transparency. Although the American and British approach to banking and financial system supervision largely prevailed, Canada made some progress in principle. An emphasis on private sector involvement as a way of avoiding moral hazard reflected one of Martin's concerns, although here a German conviction dominated and no particular mechanism for private sector "bail-in" was endorsed. Canada's greatest gain was in the crisis-bred diminished enthusiasm for rapid capital account liberalisation, as the process for amending

the IMF articles of agreement, initially slated for completion at the meeting, was extended another one to two years. The G8's North American members were thus divided too.

Despite this momentum, the G7 failed to provide the badly needed immediate, co-ordinated macroeconomic response required to stem a still burgeoning crisis in Brazil and in credit and equity markets in the US and the rest of the developed world. In early October, the IMF cut its earlier estimate of world growth to a modest 2 per cent. Some relief came when Congress passed the American IMF quota share increase on 14 October, and Japan's Diet passed its banking bill shortly thereafter. But the situation remained unstable.

With markets clearly not absorbing the G7 message from the 3 October meeting, the British led a campaign to send a stronger collective signal, and to do so at the leaders' level. Blair, still in the chair of the G7 for 1998, called for a special G7 Summit. He received enthusiastic support only from the French, who demanded that such a special summit involve a broader group of countries. The British chancellor of the exchequer, Gordon Brown, returned from the Washington G7 meeting of 3 October convinced of the need for a new G7 statement and one which reflected a deeper degree of consensus than had previously been revealed. Canada, along with the US and Japan, was initially sceptical about the value of either a statement or a special summit, in the absence of anything new to announce. But when Congress finally approved the IMF quota share increase contribution, Japan passed its banking legislation, Brazil approached the IMF for assistance, and the G7 came to an agreement through conference calls on Clinton's proposed precautionary facility (through CCLs that the US conceived and secured), Canada concluded that a statement that cast these new developments in a positive light would be useful.

Britain, as G7 host, took the initiative in catalysing the process and drafting the statements, along two tracks. The first was among G7 sherpas, with Blair dealing through Britain's sherpa John Holmes, who was in touch with his counterparts, who were in turn in touch with their leaders. Leaders were also in direct contact with one another by fax and phone. This process included calls from Clinton to Canada's Chretien, Britain's Blair, and, on several occasions, Germany's new chancellor and incoming summit host Gerhart Schroeder, whose government was strongly opposed to Clinton's call for a new IMF precautionary facility. The second track was among the G7 finance ministers, with Brown working through the finance deputies. At the last minute, the two statements composed on separate tracks were rendered compatible.

Despite the rush, with conference calls until the last minute, the substance of the final statement was genuinely a G7 product, and one which reflected most of Canada's and Britain's core concerns.

On 30 October, the G7 released two statements, the first from the leaders and the second from Finance Ministers and central bankers. Martin's call for restrictions on short-term capital outflows, in the form of the Emergency Standstill Clause, now received some support from other G7 countries. The US, however, whose own private sector investors would be most harmed by such a proposal, remained adamantly opposed. The 30 October statement included carefully crafted language that amounted to a tacit acceptance of the concept of capital controls. The leaders' statement spoke of the need to minimize the "risk of disruption" for "an orderly and progressive approach to capital account liberalisation" and for "measures to ensure the orderly and cooperative resolution of future crises, in particular mechanisms to involve the private sector". G7 officials were directed to work out the mechanisms to give this principle effect over the next year. The Finance Ministers' statement also endorsed enhanced supervision through "a process of peer review". The IMF, France's preferred forum, also agreed to devote more attention to the quality and capability of such supervision in its annual Article 4 review of members' economies.

The final element was the G7's support package for Brazil, still being negotiated as the 30 October statement was released. When the package was unveiled on 13 November, it contained several novel components. Brazil had voluntarily adopted a restraint package prior to the extension of G7 assistance. In addition to IMF and other IFI funds, it would use bilateral national contributions from all G7 members and other countries as part of a first, rather than a second, line of defence. Of the US\$41.5 bn total, the IMF provided US\$ 18 bn, the IBRD US\$4.5 bn, the IDB US\$4.5 bn, and bilateral contributions, funnelled through the BIS, US\$14.5 bn. For the first time, newly available NAB funds were used to support a non-NAB member. These funds were authorised by phone calls to the G7 Finance Ministers, who provided over 90 per cent of the total. At US\$41.1 bn, the package was well in excess of the US\$25 bn initially envisaged or the market-rumoured US\$30 bn. A full US\$37 bn of the total would be made available during the first year. The size and early availability of the package, and the willingness of all G7 members to put their national funds on the front line to make it this large, was sufficient to demonstrate resolve and to deter markets from continued attack. Canada's contribution to the bilateral first line of the Brazilian package, determined at a late

stage in the process, was a relatively modest US\$500 mn, or a deliberate one tenth the US contribution. All European G8 members contributed, but not through or with the EU.

A subsequent G7 debate arose about the speed of repaying the NAB. Because the US wanted to show a still sceptical congress that the IMF could function as a profit centre, it preferred to rely as long as possible on the NAB, so as to reap its very high interest rates and delay a use of the IMF's regular quota increase. The French agreed. Canada, along with Britain, Germany, and Japan, wanted to pay off the IMF and revert to the lower cost regular IMF quota as soon as possible. Cross regional coalitions, rather than a unified European regional bloc again prevailed.

The US delay in making its IMF quota share increase available in time for Brazil to use it stemmed in part from a provision of the congressional authorising legislation. It allowed funds to flow only 15 days after the Secretary of the Treasury and the Chair of the Federal Reserve received assurances from the "major shareholders" of the IMF that they were pressing for several conditions as part of IMF programmes. To enable US Treasury Secretary Robert that Rubin to act, the G7 agreed that their executive directors at the IMF would collectively ask the Managing Director to meet such conditions. This unprecedented collective G7 action, which publicly directed the Managing Director of the IMF to take action, proved effective. It indicated that the G7 collectively, and not the US unilaterally, was the source of effective leadership for the IMF.

A third stage came during the first half of 1999 as the G7 moved from the crisis in Brazil in early 1999, to the construction of a strengthened system at the Cologne G7 Summit in June. Here, Canada was able to work in close partnership with the new G7 host, German chancellor Schroeder, and his "red-green" coalition government, to advance its longstanding positions.

The G7 finance ministers meetings in Berlin on 20 February, in Washington on 26 April, and in Frankfurt on 11-12 June, and the G7 Summit in Cologne on 18-20 June, led to the creation of the Financial Stability Forum (FSF). This was a German initiative that contained a mechanism for peer supervision of national financial systems that gave life to an early Canadian proposal — if in a different institutionalised forum. Moreover, the architecture of the FSF reflected Britain's own proposals for financial regulation and supervision even more than the Canadian. The British national who headed the BIS, Andrew Crockett, was appointed the FSF's first chair. Yet, as Cologne approached, significant differences remained on the core architectural issues: private sector

involvement, moral hazard and the Emergency Standstill Mechanism, crisis prevention and resolution, international institutions and the role of the IMF, membership in the FSF, debt relief for the poorest, and the overall approach to globalisation.

On international institutional reform, Canada faced strong demands from France and from the IMF's Camdessus, who wanted primacy for the IMF. Canada had reservations about transforming the Interim Committee of the IMF into what it saw as a *de facto* *directoire*. On the FSF, the earlier agreement of the G7 Finance Ministers had left to the leaders the issues of how broad participation in the Forum should be and whether more emerging economies should be included. Canada, in notable contrast to the US, was in the vanguard of those pressing for broader participation.

On debt relief for the poorest, during the spring, the new German government, despite the reluctance of its Central Bank, reversed Germany's long-standing position and agreed that a "Cologne debt initiative", including the sale of IMF gold, would be the centrepiece "deliverable" of its Cologne G7 summit. As spring proceeded, a G7 agreement on the sale of five million ounces of IMF gold led rapidly to a demand for the sale of ten million ounces, to raise the substantial funds required to make the initiative credible. As Cologne drew near, Canada, Britain, and, now, the German chancellor and foreign ministry encountered strong resistance from France and Japan on a second component of the initiative. Both countries had continued their programmes of large ODA loans rather than grants and would thus be faced with large costs to their national budgets in a proposed G7 programme to write off loans. Within the G8, trans-regional coalitions were evident yet again.

The American-turned-Global Crisis, 2007-2009

A decade later, the American-turned global financial crisis of 2007-2009 witnessed the emergence of the EU as an actor, above all within the context of the new G20 summit that the crisis spawned and across the much broader and deeper agenda of financial regulation and supervision to which the crisis gave rise. The emerging crisis had been apparent to many several years before. Its origins lay in the Dot-Com bubble and bust of 2000-2001 with the collapse of Enron, Anderson and Worldcom, the terrorist attacks of 9/11, the growth slowdown and interest rate reductions in their wake, the bubble in the American subprime mortgage and housing market, and the increasing use of securitization in America's financial system. In response to the increasing signs of distress, the G8, at the summit level, was very slow to respond.

For its Heiligendamm summit in 2007, the German hosts began, as the agenda they publicly released in October 2006 showed, with a predominant desire to take the summit back to its assumed economic origins, by focusing on global imbalances, financial stability and hedge funds, private investment, counterfeiting, piracy and intellectual property rights. The relevant German agenda and objectives were: Global Imbalances (through a renewed impetus in discussing strategies aimed at reducing global imbalances (current account deficit in the US, insufficient growth in Europe and Japan, growing foreign exchange reserves in Asia); Financial Stability and Transparency (through discussion of measures aimed at improving systemic stability and transparency of financial markets; and financial markets (to deal with hedge funds, international financial instability, and more transparency with regard to financial instruments to make sure they don't endanger financial stability on a world scale).

But partners' resistance and other priorities soon crowded this central objective out. In the end, as the Heiligendamm communique confirmed, G8 leaders did little to respond to Germany's desire for greater regulation of hedge funds, preferring to let the industry solve any problems through voluntary codes on their own. Germany acquiesced, preferring to employ its scare political capital as host for other priority concerns. Soon after the summit, G8 central banks started injecting ever larger liquidity into contracting inter-bank credit markets, first unilaterally and then in a co-ordinated move by date. By late January 2008, the US Federal Reserve unilaterally slashed its rate by 125 basis points within two weeks, amidst signs that the American and G7 economies were rapidly slowing down.

The G8 Summit, Toyako 2008

Yet the Japanese-hosted summit in July 2008 did not even have its hosts try to put finance and economics back on their agenda in any serious way. At the end of the summit, on the Toyako G8's second priority of the world economy and energy, G8 performance was poor, worthy of no more than a grade of C — (62%). The concluding statement opened with a suggestion that all was well with the global economy and that any negatives were merely future risks. It reflected poorly the reality of the voters struggling to pay or secure their mortgages, get or keep their jobs, and watching all the major world stock markets shrink by about 20% since October (outside of Canada whose economy had contracted in Q1). Consistent with this view that growth was not a problem, the statement issued tough inflation-fighting words.

This one-paragraph treatment of macroeconomics was followed by a paragraph on finance. It merely endorsed what the Financial Stability Forum (FSF) and G7 finance ministers had decided to do before. The next morning, the major papers headlined a new round of financial distress, sparked by fears about the creditworthiness of America's leading mortgage lenders, Freddie Mac and Fannie Mae. The next paragraph on imbalances called on "emerging economies with large and growing current account surpluses" to have "their effective exchange rates move so that necessary adjustments will occur". But it offered no signal that the dropping US dollar would stabilize or rise.

The G20 Summit, Washington, November 14-15, 2008

Then came the quiet collapse of Lehman brothers and much else the autumn of 2008. In mid-November, the week after G20 finance ministers held their tenth annual autumn meeting in Sao Paulo Brazil, this North American creation from the 1997-1999 crisis leapt to the summit level (Kirton, Koch 2008; Martin 2008; Summers 2008; English, Thakur, Cooper 2005; Kirton 2009). On November 14-15, 2008, G20 leaders assembled in Washington DC for the "Leaders Summit on Financial Stability and the World Economy". The Summit showed that the crisis that erupted had become so serious that it needed leaders as well as finance ministers and central bankers to solve. By calling and hosting the first G20 summit, US president George W. Bush admitted that America alone could not solve the problem and that it required more than, as well as, the broadly multilateral IMF or even the exclusive G7 or G8 clubs to craft an effective response.

Emerging powers agreed to come to help America, its established G8 partners and the full global community out of a crisis that had been born in the USA, on its many main streets, side streets and Wall Street, where mortgages that had been recklessly issued and sold as transatlantic securities were now going bust. The G20 gathering substituted for a G8 summit that had failed for several years to deal seriously with finance, macroeconomics and trade. This G20 summit delved deeply and intrusively into the internal world of countries' regulatory systems and even firms, dealing with matters as detailed as executive pay. The summit's assembly, actions and achievements marked the birth of a continuing and perhaps permanent leaders-level G20 institution as a new centre of global economic governance for a 21st century world where finance was now globalized and driven by the private sector and where power had passed to the emerging economies of Asia and the Americas from the established Atlantic-centered ones of old.

French president Nicolas Sarkozy had been the first to call publicly for a summit. His call was endorsed by Canada's prime minister Stephen Harper when he met with Sarkozy at the Francophone Summit in Quebec City. Immediately after, Sarkozy met Bush in Washington, after which it was announced, on October 18 that a special summit would be held, in the US before the end of November. On October 22, the US announced that it would host the event, that the G20 leaders (including the EU's) would be invited, that the meeting would take place in Washington, that it would be held on November 15, with a dinner the evening before at the White House, and that participants would be the G20 leaders, the managing director of the IMF, the president of the World Bank, the FSF chair, and, the secretary general of the UN. A trans-Atlantic compromise was thus forged.

The two major founders had competing conceptions of what the summit would do across its broad agenda (Eichengreen, Baldwin 2008; Brookings Institution 2008; Rotman School of Management 2008). The continental Europeans, led by France's Sarkozy, sought quick ambitious actions with immediate far-reaching results. They aimed at a comprehensive new international financial architecture, relying heavily on international-level government regulation. In sharp contrast, the US, supported by Canada, saw the summit as the first step in a process, meant to prepare the ground for future action aimed at stronger intergovernmental co-operation. On the summit's agenda and ambitious regionalism thus arose.

Demands to be invited soon came from Spain, Venezuela, Poland and the Netherlands. In response Sarkozy declared that France would give up its self-proclaimed "second seat" as the rotating president of the European Council so that Spain's leaders could attend. Sarkozy also apparently invited the Czech Republic's finance minister to participate in the process, as the Czech Republic would take over the EU presidency from France in 2009. With the Dutch leader also added to the French delegation at the last minute, the summit became notably more Eurocentric than the G20 had been since 1999. At the same time, the many demands for poor African countries to be added were turned down. Here the EU itself exerted influence as a regional international institution, if through the instrument of France, expanding the Eurocentric bias of the new global governance arrangements for a globalized increasing Asian-centered world.

Several meetings scheduled to take place before the summit fed into the preparatory process. British prime minister Gordon Brown met with Sarkozy at the end of October to work on establishing a common European front for

the EU and G20 summits. Brown and Merkel planned a meeting to discuss the world economy and financial market reforms. Russian president Dmitry Medvedev talked with Australian prime minister Kevin Rudd and also met with Italian prime minister Silvio Berlusconi about the economic situation. Japan's prime minister Taro Aso dispatched individuals to the G20 countries, particularly the G8 members, and to emerging countries, such as Indonesia, to prepare for the meeting. An EU — Russia summit was scheduled to take place before the G20 meeting, with Medvedev, Sarkozy and Jose Barroso, head of the European Commission, there. The Asia-Europe Meeting (ASEM) in Beijing in October highlighted several issues on the G20 summit's agenda. At the EU summit on November 7, European countries were able to come to a common agreement on the financial situation, completing a proposal to be tabled at the G20 meeting. In the preparations for the summit, the EU as an institution and actor thus had a central place.

The November summit was expected from the start to be the first in a series, with the next one taking place outside the US. The Europeans declared that they wanted to reconvene within 100 days of the initial November meeting happening when the new US president Barack Obama would have been in office for only a few weeks. The principles that would come out of the November gathering would be developed further by working groups for consideration at future gatherings, which would likely continue until the global financial crisis was contained. On the cadence of G20 summitry European unity remained.

The leaders' G8 sherpas and G20 finance deputies were able to agree on the draft communique one week before the summit. But only on Thursday, November 13, did an agreement on a college of supervisors for the world's biggest international banks take shape and FSF chair Mario Draghi and IMF managing director Dominique Strauss-Kahn resolve their disagreement about the role and relationship of their respective institutions in the new global financial architecture that the G20 summit would put in place (Engelen 2008). They agreed the lightly institutionalized FSF would set the new standards, but the organizationally powerful IMF would then monitor and enforce compliance with them. On Friday, November 14, beginning in the early afternoon, the deputies met and hammered together the final communique and action plan. The deputies' drafting session saw the IMF heavily involved, given that much of the communique read like a work plan for the IMF. The leaders sherpas were up much of the night finalizing the communique as well (Price 2009).

The summit itself began with a working dinner on the evening of Friday, November 14. Its working portion began with five minute statements from Strauss-Kahn, the World Bank's Robert Zoellick, Ban Ki-moon and Draghi. The next day working sessions were held, until the early afternoon.

The first G20 summit was a substantial success. It acted appropriately and ambitiously to produce immediate decisions in areas directly controlled by government, notably trade, where the EU long had full policy competence on behalf of Europe, fiscal stimulus and international institutional reform. It simultaneously left the subjects of private sector-driven finance, which it poorly understood, to declared principles and a defined process where experts from the public and private sectors could devise solutions that would work in the new world. These followed closely from the communique of the G7 finance ministers themselves had written at their meeting in Washington in October.

The G20 leaders used the summit to manage their domestic politics. Their very presence in Washington showed their voters that they were personally concerned with the crisis and trying to solve it. Simply being there was a matter of high politics and prestige in a Spain hit hard by the housing collapse and in a Netherlands whose collapsing banks needed bailouts to survive.

The summit also allowed leaders more easily to alter previous positions, especially where fiscal stimulus was concerned. Britain's Brown was able to set aside his longstanding two "golden rules" of fiscal sustainability to introduce a major stimulus package, using the earlier G7 finance ministers as well as the G20 leaders consensus as justification for the move. His summit performance earned him a badly needed boost in the public opinion polls. Similarly, Canada's Harper, who had just won a federal election on October 14 — after a campaign in which both he and his opponents had promised never to put Canada into a fiscal deficit — was able to use the G20 as justification for his post-election move to do just that. Canada's November 19, 2008 Speech from the Throne referred explicitly to the G20 summit, but not to the earlier G8 one. The G20 summit also helped spark or sustain an increase in public approval in several countries. Bush, as host, received a boost. Brown led here, but Canada's Harper and Germany's Angela Merkel benefited too. India's Mohamman Singh, on his return home, spoke of his initial scepticism that the summit would accomplish anything, but said he had been won over by what it did.

The summit's deliberation also went well. While it had only half the time and double the number of core participants as the G8 summit that summer, there was a high degree of personal involvement, passion and even spontane

ous combustion. On trade a wide range of leaders intervened over the morning session and at lunch to warn of the dangers of protectionism. This caused the communique passages on trade to be made much stronger and more detailed than the draft declaration had been.

The summit two documents, totalling 3,635 words, compared favourably with the first G7 summit's one in 1975, if not the G8's most recent ones in 2008. The G20 documents focused, in order of attention, on finance, the economy, trade, development and IFI reform. It also briefly declared: "We remain committed to addressing other critical challenges such as energy security and climate change, food security, the rule of law, and the fight against terrorism, poverty and disease", extending its declaration into the global-transnational and political security domains (G20 Leaders 2008). A broad range of the EU's concern and competence as this involved.

The G20 also set new principled and normative directions, most comprehensively and specifically in guiding the decision making still to come on financial stability and regulation and economic growth. The declaration arbitrated the debate between government regulation and free markets by highlighting the benefits that open markets would bring. It extended this emphasis on openness into the political domain, with an explicit call for democracy and freedom. It called for ecological and human security as well.

In the realm of decision-making, the summit made 95 specific, future-oriented commitments, with no complaints arising about the G20 acting as a global *directoire*. Those commitments largely dealt with macroeconomics and finance, with some on trade and one on development. The 95 commitments were vastly more than the mere four made at the first G20 finance ministerial in 1999 and more than that at its tenth annual meeting in Sao Paulo the week before. At the summit level, the G20 was transformed from primarily a forum for discussion and direction setting into a decision-making one.

There was a good chance that these decisions would be delivered. The leaders were very well aware of the importance of their credibility and quick delivery. They thus decided to demonstrate their personal commitment by holding another summit by the end of April — a short three-and-a-half-month interval that was quicker than the period between the first and second G7 summits in 1975. They also set a very tight timeline, with a deadline of March 31, 2009, for putting into place many of their short-term decisions. More generally, the G20's 95 commitments were laden with 139 of the catalysts that have proven to raise compliance with G8 commitments in the past (Kirton, Roudev, Sunderland 2007; Kirton 2006).

Some of the commitments were complied with almost immediately, such as the pledge to hold the next summit by April 30, 2009. But some were violated almost immediately, as Russia and India raised import duties on automobiles, France changed its plans for the Common Agriculture Policy and the US imposed labeling requirements on meat imported from Canada in violation of the anti-protectionist pledge. And the courageous commitment to secure a modalities agreement by December 31, 2008, was not fulfilled, as ministers could not even agree to hold a meeting by that time. In the area of trade, where EU competence was strong, G20 compliance was notably low.

The Washington summit also developed global economic governance inside and outside the G20. Inside, it agreed to hold a second summit soon, suggesting that an ongoing G20 summit institution would be born. It also signaled a new gathering of G20 trade ministers, to replace the G7's old trade ministers' quadrilateral and to extend beyond the trade caucus of developing states formed at the WTO's 2003 ministerial at Cancun (and also referred to as the G20). It further led to the G20 finance ministers and central bankers meeting more frequently and to four, and later a fifth, new G20 official-level working groups to be formed.

Outside the G20, the Washington Summit gave clear instructions to the G8-created FSF to expand its membership and otherwise reform. It did so also to the Bretton Woods bodies. But most innovative was the way it reached down to govern civil society bodies and connect them with G20 and multilateral intergovernmental ones. It called for action from a host of other international governmental and non-governmental supervisory bodies such as International Organization of Securities Commissions and the International Accounting Standards Board. It moved to invent new bodies, such as a college of supervisors for each global bank. Its new task forces were told to engage in multi-stakeholder "downreach" with civil society experts, if only on a functional, epistemic community model, rather than a fully democratic one. It identified the relationships among these institutions in the new global financial architecture.

This was a strong but skewed performance, defined by fast, far-reaching success on G20 summit institutionalization, trade liberalization commitments, fiscal stimulus and IFI reform and by slowness on financial regulation and trade liberalization delivery. It was driven by those forces highlighted by the concert equality model, but now with individual agency shaping the move to a network model that the new world required.

The first such force, seen in the initiation and institutionalization of a G20 summit to govern financial stability and the world economy, was the severe financial and ensuing economic shock that exposed the equal economic vulnerability of all systemically significant countries, and the social and even political vulnerability of some. In an era of financial hegemonic decline, financial crises start on the periphery, as happened with the debt crisis among developing countries in 1982, the 1994 peso crisis in Mexico and the 1997–1999 Asian-turned-financial crisis (Arrighi, Silver 1999). Yet now, the shock was felt first and most strongly in the core of America, Europe and Japan, rather than in the G20's major emerging members of China, India and Brazil.

The second cause was the failure of American unilateralism, IMF hard-law multilateralism, or G8, G7 or even G20 finance governance to cope with a crisis that began in America but spread quickly throughout a globalized world. It was striking how G8 summits had failed to deal seriously with finance, economic or trade, or even specific issues such as hedge funds during the previous several years.

The third force, seen most clearly in the fast move on fiscal stimulus, IFI reform and G20 institutionalization and in the slow start on financial regulation, was the equalization of globally predominant capability within the G20 club. It contained a strong majority of the world's money, economy and population. Its rising but financially closed China, with its US\$2 tn in foreign exchange reserves, rivaled a financially open America rapidly acquiring US\$2 tn in additional government debt.

The fourth force, evident in the quick success on trade commitments but in the slowness on financial regulation, was the common purpose among these otherwise diverse 20 members from the dominance of political democracy in all but two or three and the attachment to open markets of all. Here the EU, representing 27 democratic polities, and the Netherlands and Spain as newcomers, were important in strengthening the predominant democratic character of the G20 club. On trade delivery, the first defection came from Russia, the G8's newest democracy, and a G20 member not bound by the WTO's international rule of law.

The fifth cause, seen again in the speed of fiscal stimulus, trade liberalization promises and IFI reform and in the slowness on financial regulation, was the strong political capital and control, reinforced by the crisis, of the popularly elected or supported leaders. Their voters understood government spend

ing and trade and the close association with the G20 response in America of the well-advised and stimulus-committed president-elect.

The sixth was the still constricted participation in a club of only 20 permanent country members, with a decade of proven process and performance at the finance ministers' level on its core mission of financial stability, IFI reform for the Bretton Woods bodies and macroeconomics. Spain and the Netherlands, there only as part of the EU or French delegation, played no role. In contrast, the compact G8 club, both at the finance minister level and through an earlier statement the leaders had put out, provided the necessary leadership around which much larger and more (Price 2009).

The G20 Summit, London, April 1—2, 2009

The G20's second summit took place in London, England, on April 1-2, 2009, with British Prime Minister Gordon Brown as chair and host. Going into the summit, there were several high profile disagreements among the members, both within the established G7 members and between them and the emerging ones. The first was between an America, led by its new President Barack Obama, that wished to secure more fiscal stimulus fast, and a continental Europe, led by France's Nicolas Sarkozy and Germany's Angela Merkel, that resisted stimulus and emphasized strong, supranational financial regulation, especially for tax havens and hedge funds. The second was between the established members, with their emphasis on stimulus and financial regulation, and the emerging members, focused on trade openness, trade finance, development, and reform of the IFIs to give them greater voice and vote. The third was between Britain and other G7 members that wished to act on climate change, and the many emerging economies who did not wish to do so at that time in the G20 summit forum.

Overall, the London Summit was a strong success, with a performance much better than most outsiders had predicted. It boosted the domestic political management of its unpopular host at home, Gordon Brown, by bringing him widespread editorial and opposition party approval and a small upward bounce in the polls. Mexico was singled out for a compliment in the communique. The summit deliberations, beginning with a reception with the Queen and a leaders'-only dinner on April 1, and working sessions from breakfast to mid afternoon on April 2, produced three collective documents, covering the major areas of growth, financial regulation, IFI reform, trade, social inclusion and climate change. They offered several striking directions, including an affirmation of economic and political openness. They contained many

decisional commitments, a substantial advance from the Washington summit. And they developed several new G20-related institutions, most notably by expanding the membership and strength of the FSF as a new Financial Stability Board (FSB).

Across its expanded agenda, several key agreements were reached. On growth, G20 leaders promised to provide whatever future fiscal and monetary stimulus was necessary to restore growth, to have the IMF assess what more was needed, to refrain from competitive currency devaluation, and to support IMF surveillance of their economies and financial sectors. On regulation they endorsed stronger, high standard, internationally consistent and co-operative regimes, aimed at macro-prudential risks, and covering all systemically important institutions, instruments and territories, with the details to be defined by the new FSB, IMF and FATF for the G20 finance ministers meeting in November. On IFI resources and reform, they mobilized US\$1.1 tn in new money, including a new \$250 mn allocation of SDRs, and set a faster deadline of January 2011 for the IMF and spring 2010 for the World Bank to complete their quota and voice reform. On trade and investment they extended their anti-protectionist pledge to the end of 2010, and added remedial action, the avoidance of fiscal and financial protectionism, notification to and monitoring by the WTO and other institutions of national measures and at least \$250 mn for trade finance. On social inclusion, they endorsed the MDG's, their ODA pledges, and the Gleneagles G8 commitments to sub-Saharan Africa, mobilized money for food security and the poorest, and promised to create employment and income support in a gender balanced way. On climate change they endorsed the principle of inter-generational equity, sustainability, a green stimulus, recovery, the future economy, technologies and infrastructure, the framework of common but differentiated responsibilities, and a successful conclusion of the UN Climate Change Copenhagen conference in December 2009.

These results represented the outcome of a relatively balanced adjustment, where the preferences and coalitions cross cut the regional and the established and emerging power groups. The biggest winners were the emerging powers and developing countries. Effective leadership came from several sources across and within the established and emerging power groups.

Within the G7, first ranked America, represented by a new president who had come to London to listen and learn, secured only a promise of future rather than immediate stimulus, relatively light financial regulation, substantial results on trade and investment, and only a little on climate change (where the

UN but not the American-initiated and led Major Economies Meeting (MEM 16) was endorsed). America led the successful push for \$500 bn in new loans to and from the IMF, and welcomed the \$1.1 tn in global stimulus that the overall package would bring. But it emerged substantially as a mediator between Europe and China on tax havens, and as the host of the next G20 summit, to be held before the end of the year. America later chose to host in Pittsburgh on September 24-25, 2009.

Second ranked Japan, despite its deep domestic economic and political difficulties, led in an effective way. While it did not secure the immediate stimulus package it and America sought, it obtained the light financial regulation it preferred as a country where, along with Canada and most emerging members, the financial system remained sound. Its leadership in offering \$100 bn for the IFI's in November was now followed by the US and EU each pledging \$100 bn — a burden sharing formula that made Japan the equal of America and Europe in providing this critical global public good. Japan also succeeded a little on climate change, in support of the priority it had given this issue at the last G8 summit it had hosted in 2008. It was noteworthy that the European contribution was first offered as an EU aggregate and one equal to Japan's and America's and only subsequently divided up in its public presentation among the EU member states.

Among the emerging economies, China began to show it was willing to serve as a leader and bear the burdens of global leadership. On the eve of the summit, the governor of its central bank had publicly offered a bold proposal to move from a reliance on the US dollar as the global currency to SDRs, with the Chinese yuan and other currencies beyond the existing four of the dollar, yen, euro and pound added to the basket of which the SDR was composed. Although clearly in the interest of a China with its massive foreign exchange reserves largely in U.S dollar assets and worried about a prospective American inflationary surge and devaluation, this was the first major proposal for global governance reform that China had advanced. The G20 summit's approval of a \$250 bn dollar SDR allocation, even if based on the current currency basket, represented an important acceptance of China's proposal. It was only the third general SDR allocation, after the first in 1970-1972 and the second in 1979-1981, and represented an almost eightfold increase of the current stock of 21.4 bn SDRs (Fratianni, Alessandrini 2009). China also defended its sovereignty sensitive position on financial regulation, by having the G20 endorse a tax haven regime that left Hong Kong and Macau largely untouched. Elsewhere China escaped supranational, "western" intrusion into

its stable financial supervision, while securing in its own right full membership on the expanded new FSB. It was similarly successful on climate change, where the “common but differentiated” principle and UN location for negotiations were endorsed. It secured a reasonable result on stimulus and trade. Perhaps most important was its apparent willing to contribute \$40 bn to the IMF’s \$500 bn package. While not equal to the \$100 bn each share of America, Japan and Europe, it signalled that China was willing to put its global responsibilities a little before its international rights, as its increased voice and quota in the IMF would only come later, in 2011.

Driving the London summit to such success was, first, the world’s shock-activated vulnerability, especially that which exposed the new vulnerability of all to processes arising from non-state or even non human sources, could speedily spread anywhere without intention, guidance or targeting, yet still inflict great death or damage on the national and human interests of the countries they touched. In comparison with the G20-generating Asia-turned global-crisis that had attacked Asia’s Thailand, Indonesia in 1997, spread to Russia, Brazil and even America by the autumn of 1998, and afflicted Argentina and Turkey by 1999, the 2008 American-turned-global crisis started in America in the autumn of 2008, spread transAtlantically almost instantly to consume banks in Germany and Britain, and by the end of the year had plunged all of the G8 and much of the G20 into a severe growth contraction. By the first quarter of 2009, financial system seizure had spread to Russia, France, and Italy, leaving only the financial systems of Japan and Canada intact. Within the G8 by the first quarter of 2009, the scope, scale and severity of the downturn had become the worst since the Great Depression. Especially with the transmission mechanisms so complex and uncertain, and with the remedies such as quantitative easing in monetary policy so novel, no country could be confident that it could escape. All were equally vulnerable to a crisis so new, unpredictable and large. Unlike 1997-1999, where a largely untouched G7 could ride to the rescue of consequential afflicted countries outside the club, this time there were few suppliers of financial and economic security on the systemic scale required now.

The second cause of successful G20 governance was the failure of the established multilateral organizations in response. The IMF had only \$250 bn of its own resources to deploy when the crisis hit, a governance structure that had given only a slightly greater share of voice and vote to the emerging powers due to a deal done within the G20 finance ministers’ forum, and an IMFC from 1999 unable to respond to this fast paced complex crisis, with the domestic

American housing and financial system, rather than that of Thailand, at the core. Also constrained was the G20 finance ministers' forum, which was more of a consensus-oriented club than a decision-making and crisis response one, and the FSF, where the leading emerging powers of China, India, Brazil, Mexico and South Africa were still left out. The G8, however, had sprung into inter-sessional action at the finance summit level in response to the crisis, although the G7 finance ministers had moved boldly, first in October 2008 and again in early 2009. Yet from the start, G8 leaders concluded that the crisis would have to be confronted within a broader group (Price 2009).

The third cause was the strong equalization of capability between the established and emerging economies and among those within the G7 group. First ranked America saw its economy contract at seasonally-adjusted annualized rates of 6.3 percent in the fourth quarter of 2008 and a further 6.1 percent in the first quarter of 2009. The contractions for second ranked Japan were estimated in late April 2009 at 3.1% for the year ending in March and, by the IMF, at 6.2% for 2009. For third ranked Germany the late April estimate was for a contraction of 5.4% in 2009. For the 27 nation EU as a whole it was a 4% drop for 2009. The Bank of Canada predicted that Canada's economy would contract by more than 7% annualized in the first quarter of 2009, the biggest fall on record, but recover rather quickly after that. In sharp contrast, the strongest emerging economy member, China, whose growth had fallen to almost zero in the fourth quarter of 2008, saw growth of 6.1 % in the first quarter of 2009, with signs that it would accelerate even more. India too seemed likely to maintain growth of over 5%. The only partial temporary offset to these changes in the real economy were those in exchange rates, as a flight to safety, or survival, gave the US dollar a temporary boost for a short while. But China's still controlled currency was appreciating as well. And by the spring of 2009 the US dollar was dropping once again.

The fourth cause was the common commitment to political stability and thus, for all but China and Saudi Arabia, the democracy that many had won or strengthened in the post cold war years. In addition to its established democracies the G8 included a Russia which had recently enjoyed a second change of leaders through a popular election, but where the state of real rather than formal democracy remained a major challenge. The EU in particular and its G7 partners in general were devoted to, and concerned about, the recent democracies in its many new and prospective members in Eastern and Central Europe. Among the emerging members, the newer democracies of

Indonesia, South Korea and Mexico afflicted by drug wars aroused similar convictions and concerns. As several G20 leaders noted at their concluding news conferences at the London Summit, the unifying fear was that economic distress would breed social unrest, political extremism and authoritarianism as it had in Europe and Japan amidst the Great Depression of the 1930s. China had strong reasons to fear an intensification of its already widespread social instability, even if it did not share a democratic ideal as its ultimate goal.

The fifth cause of successful G20 summit governance was the adequate political control, capital and commitment of the G20 leaders, at home and abroad. Within the G8, the leaders of America and Britain had party control of their legislature and no looming elections in the immediate future, even if those of Japan and Germany did not and would face general elections in the early fall of 2009. Beyond the G8 the consequential leaders were secure, save for India's Manmohan Singh who faced a general election within weeks (that he ultimately won much more strongly than before, and than most thought he would). Yet in the face of the crisis, legislatures and central bankers were willing to give their leaders the benefit of the doubt, outside populist issues such as executive pay. The major constraint from domestic politics came from an American Congress unwilling to authorize another spending and bank bailout package, beyond TARP and the \$787 bn from Obama in the spring. The G20 summit also proved to be reluctant to unleash a coordinated conventional fiscal stimulus as well.

The sixth cause was the constricted and controlled participation at the meeting. Here there was a serious challenge. For the Washington roster the British added Thailand and more heads of MOS, for a total of 29 participants. But all of the G20 participants, save for Obama, and most of the other leaders were veterans of the Washington summit only 14 weeks earlier, where many of London's agenda, principles and processes had been defined. Among the outsiders, the Dutch Prime Minister participated this time, as did the leader of Spain again. This led both to claim that they were now G20 members, and thus to demand that they be invited to the next G20 summit and allowed to join the finance ministers G20 as well. But the ratio of veterans over newcomers was still very strong. And within the larger G20 plus, effective leadership still came from the cohesive, compact G7 and G8.

Importantly, two key leaders from established and emerging economies had extensive experience in the G20 finance ministers' club. Among the established members, host Gordon Brown served as a hub of several global fi

nancial networks, as British finance minister since 1997, cofounder and participant in the ministerial G20 and IMFC since 1999, participant in the quarterly G7 finance ministers meetings since 1997 and in the annual G8 summit in 2008. India's Manmohan Singh held a similar position in the emerging members' club. Moreover in sharp contrast to G8 summits, the G20 leaders had their often G20 experienced finance ministers by their side, and no separate meeting among the emerging economy members to take up time and recreate the north-south divide of old. The G20's seminal structural principle of full equality among established and emerging members remained intact.

More broadly, these G20 leaders collectively served as the hub of a global network that reached out to embrace all consequential plurilateral summit institutions that contained established and emerging countries and were of global relevance and trans-regional reach. Many of the key emerging economy leaders at London had longer experience in the G8 plus 5 than those of the G8 itself.

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Chapter 12

EU Development Policy in the Context of the G8 Aid Commitments

***Vytaliy Kartamyshev* Introduction**

The European Consensus on Development states the primary goal of the European development policy is the eradication of poverty in the context of sustainable development and universal achievement of Millennium Development Goals by 2015. The EU implements this objective through a multidimensional approach, which combines increasing volumes of aid, aid effectiveness and policy coherence for development.

EU is the largest provider of ODA¹ in the world. In 2008 EU provided nearly €50 bn for development financing, which is 60% of global ODA and which represents 0.40% of EU GNI. Although EU reconfirmed its role as the world leader in terms of ODA the prospects for reaching the EU collective commitment of providing 0.56% of EU GNI by 2010 and 0.7% by 2015 remain distant. Reaching these targets would require additional disbursements of approximately €20 bn by 2010 from the current levels.

EU Priorities: Aid Effectiveness, Budget Support and Policy Coherence for Development

Various international conferences held in 2008 have reconfirmed the international community's resolve to ensure achievement of global development objectives — the Doha round on financing for development, High-level conference on aid effectiveness in Accra, High-Level meeting on Africa Development needs in New York (September 2008). EU's leadership and determined position were crucial for significant successes in delivery of positive and concrete outcomes for poor and developing countries. Among EU member states there is a shared consensus, all the more underscored by the current financial and economic crises, that ODA is a long-term investment in

¹ Official Development Assistance.

more stable, prosperous, equal and secure world. However, there is also a growing realization and concern that traditional approaches might not be sufficient. There is a need for concerted efforts to ensure policy and “response to shocks” coherence, tackling corruption, tax reforms (including tax evasion), substantially improving governance and global financial architecture, untying aid from conditionality and establishing trade regimes conducive to poverty alleviation and equitable development of rich and poor countries. There is also a commendable approach adopted by EU in providing high-quality budget support for specific public sectors i.e. education and health that has direct implications for poverty reduction. There is increasing recognition among major donors that progress on MDGs crucially depends on leadership and ownership of the process by developing countries. Therefore, providing more and better general and sector budget support, while at the same time making it more predictable by extending the period of its provision, is essential. There is already ample evidence that countries, which received long-term and predictable budget support, have made significant headway in poverty reduction. Oxfam’s research² shows that a positive feature of EU practice linking its budget support to developing countries to positive outcomes in social sectors (education and health) bears fruit. For example, Oxfam found that over half of performance indicators tied to general budget support agreements signed by EC call for direct improvements in poor people’s access to education and health. Eight of the countries³ that receive large amounts of general budget support from European Commission have increased government spending on education by 31%. Certainly, one could argue that this increased government spending on social sectors could have materialized in the absence of such support. However, it is important to emphasize that predictable and long-term budget support encourages developing country governments to pursue policies that have a high poverty reduction impact. Its counter-cyclical feature is also highly beneficial, which makes budgets of poor countries less dependent on sudden external shocks such as, for example, dramatic drop in budget revenues due to fall in demand for a country’s commodities for export as the recent economic crisis emphasized.

² Fast forward, Oxfam Briefing Paper, May 2008, available at: www.oxfam.org.uk.

³ For details of countries receiving largest amounts of EC budget support see Appendix.

Budget support — effective development instrument?

Direct aid support disbursed to the recipient-country's national treasury is referred to as budget support. There may be two types of budget support: general budget support and sector-specific budget support. The advantage of such form of aid is that it becomes part of the national budget and is used in accordance with developing country's budgetary processes. General budget support might be used to support national development strategy (sometimes also poverty reduction strategy PRS). Whereas sector budget support usually is used to strengthen specific sectors, e.g. health or education.

On the other hand, a pessimist might argue that disbursing aid into developing countries' treasuries runs a risk of mismanagement by corrupt governments. However, any type of aid could be prone to mismanagement and programme aid is no less prone to corruption than budget support. The alternative is not to give aid at all, which is not an option given the highly volatile and insecure social conditions in many of the poorest and developing nations. The logic behind aid is that no matter the risks associated, the returns in terms of poverty alleviation are quite high. What matters is the kind of aid and the conditions under which aid is disbursed. Development NGOs, including Oxfam, call for disbursing aid to governments that have a demonstrable track record and sound plans for poverty reduction, for example by increasing access to health and education for all. Governments should have in place sound financial systems that enable them to use and account for the resources they receive. Governments should also demonstrate that they are accountable to their parliaments and civil society.

Trend for ODA Levels: Globally vs EU

Global ODA figures have been increasing between 2000 and 2005, although in 2006 and 2007 the figures have dropped somewhat due to the wrap-up of debt relief programme for Nigeria and Iraq.

In 2008 ODA figures resumed their positive trend, although they still fall short of the promised aid volumes pledged at Gleneagles. Donors at that historic G8 summit have pledged to deliver \$50 bn in aid annually by 2010 and half of that amount (\$25 bn) would be delivered to the countries in sub-Saharan Africa. Unless all donors make a collective genuine effort soon to live up to that promise, the target is likely to be missed by around \$8 bn according to the latest OECD figures (see tables below).

There are some signs for cautious optimism, although most development NGOs in Europe (CONCORD, Eurodad, Oxfam and others) criticise their governments for being behind schedule on aid quantity and quality. According to OECD, total net official development assistance (ODA) in 2008 increased by 10,2% to \$119,8 bn, representing 0.30% of combined DAC (Development Assistance Committee) member countries GNI. The combined DAC — EU 15 member states contribution totalled \$70.2 bn, which represents 59% of global DAC ODA.

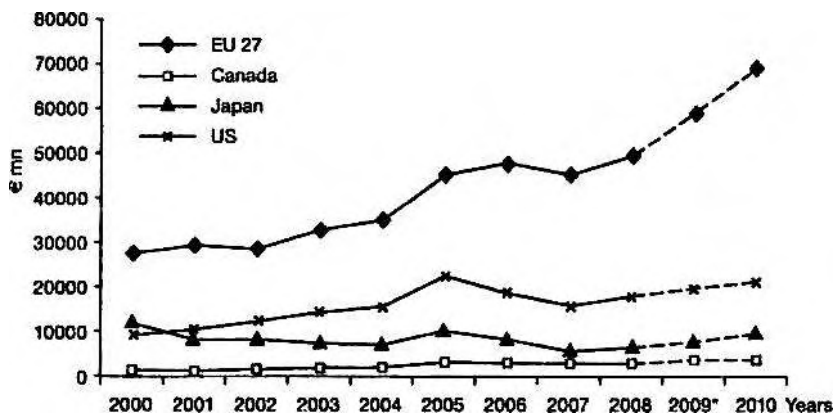
Despite some criticism, EU remains the world leader in fulfilling its ODA commitments. Of all donors only EU has set a clear timetable for reaching the commitment of 0.7% of GNI for ODA by 2015 and a collective intermediate commitment to disburse 0.56% by 2010. The figure below shows the comparison of EU aid volumes with aid provided by other non-European G7 donors with EU a strong leader on implemented, current and projected ODA to 2010.

However, it is still to be seen in what form the aid will be given and what priority areas will benefit from this prospective increase. While we could praise the EU for being a leader in financing for development, there is a further challenge to untie aid from harmful economic conditions (especially imposed by the IMF which may frequently offset the positive impact of aid on poverty), provide more quantity and quality aid in the form of general and sector — specific budget support, especially in the health and education sectors and contribute efforts to make its aid long-term and more predictable. There is already encouraging policy shift to conclude MDGs contracts⁴ with some African countries, which provide EU's budget support for six years (as opposed to three years traditionally) with reduced amount of reporting and improvement in delays in EU's own bureaucratic processes for disbursing aid.

Moreover, in the current financial crisis and economic downturn, EU role and continued leadership by example in progressively fulfilling and increasing the ODA levels gains special significance. Today, even more than ever, there is a need for more and better aid and EU faces a challenge to demonstrate that member states have the collective responsibility, determination, political rigour and resources to lead by example in fulfilling the promises.

At G20 London summit in April, leaders have reaffirmed their willingness to reach their targets on ODA, including Aid for Trade, debt relief and the Gleneagles commitments to sub-Saharan Africa.

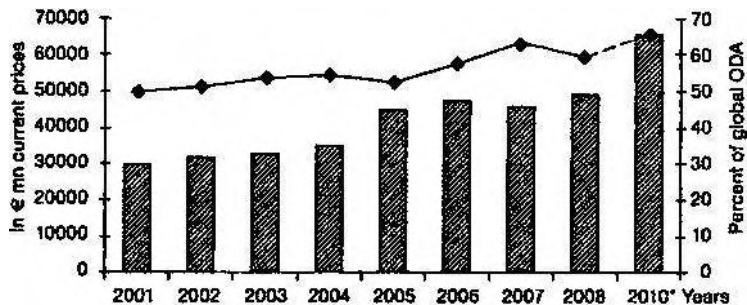
However, despite the renewed efforts by the international community to ensure MDGs achievements and continue providing ODA, there are worrying signs that some members are cutting down drastically their aid budgets in the face of adverse domestic economic conditions, the growing political pressures to address unemployment and shrinking output at home, making them even more off-track to deliver what they had promised. Most notably, Italy, despite being the chair of G8 this year, has tentatively made budget provisions to cut its ODA substantially by about €170 mn in 2010. Its aid budget has already decreased to 0.19% of GNI (or €2,897 mn) from 0.29% in 2005 (€4,096 mn).



Source: European Commission Calculations on OECD/DAC data.

* Data linearly approximated based on OECD 2010 aid simulation.

Figure 12.1. Aid flows of the EU and non-European G7 countries 2000-2010 (in Euro mn constant 2006)



—•— EU 27 ODA in mn of €

EU 27 ODA as a percent of DAC ODA

Source: EC Calculations on OECD/DAC data and EC Monnetrey Survey.

* Percentage based on linear assumption of global scaling up as EU MS commitment.

Figure 12.2. EU ODA as percentage share of DAC ODA and in mn euro

Therefore, EU will need strong political determination, both collectively and individually, to set budgetary expenditures in a way that would allow them to meet their ODA commitments, despite growing constraints amid efforts to support financial sector and stimulate domestic industries, tackle unemployment and implement a tax reform. EU should demonstrate once again its role

as a world leader and avoid curtailing the ODA at a time when the developing countries need the support most, themselves suffering from the economic turmoil that was imported to them through higher food and fuel prices, tightening of credit conditions and reduction of prospects for export-led growth.

Impact of Recession on the \$50 bn Promise

At the G8 Summit in Gleneagles, 8 rich nations and the EU committed to ensure aid increased by \$50 bn by 2010. This promise was made in 2004 dollars, so envisaged aid rising from \$79 bn in 2004 to \$129 bn in 2010. This amount represents the famous \$50 bn promise to the poorest nations, of which \$25 bn was to be disbursed to the poorest countries in sub-Saharan Africa.

85% of the \$50 bn promised, or \$42 bn was to be delivered by the EU nations. This was largely to be achieved by their commitment to reach 0.56% of GNI by 2010, made in May 2005. Key large nations had also committed to go further too, notably France aiming for 0.7% in 2012, and the UK for 0.7% in 2013. France has since pushed this target back to 2015.

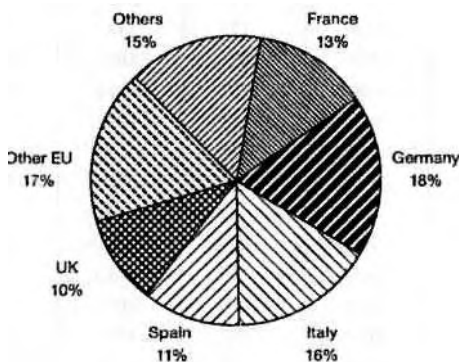


Figure 12.3. Shares of the \$50 bn

This shows how crucial it is that Italy, Germany, France, Spain and the UK meet their promises to 2010.

All the EU 15 who were not at 0.7% of their respective GNI already promised to reach a minimum of 0.51% of GNI by 2010, or to contribute more. However, with falling GNI due to the global financial crisis, 0.51 % of GNI is now likely to be less in cash terms than originally predicted at Gleneagles.

In its recent budget decision, the UK decided to commit to the ODA levels promised for 2010, despite falling GNI, meaning that they will reach as much as 0.6% in 2010 instead of the 0.56% they had originally promised.

The table below shows the original Gleneagles promise for each nation, the new predictions from the OECD reflecting GNI changes and in the case of France rescheduling of their 0.7% timetable from 2012 to 2015. The net impact is that the recession could knock as much as \$9 bn dollars off projected aid increases, or \$8 bn in 2004 dollars, meaning the \$50 bn promise will quickly become a \$42 bn, denying developing countries \$8 bn in aid.

Table 12.1. Impact of recession on \$50 bn promised at Gleneagles

	2010 Gleneagles originally promised (in US \$2008 mn)	2010 now predicted by OECD (in \$US 2008 mn)	Difference (in SUS 2008 mn)	2010 Gleneagles originally promised (in US \$2004 mn)	New Projections (US \$2004 mn)	Difference (in SUS 2004 mn)
Austria	2165	1945	220	1805	1614	191
Belgium	3617	3361	256	3016	2790	227
Denmark	2939	2623	316	2451	2177	274
Finland	1423	1300	123	1187	1079	108
France	17863	13909	3954	14895	11544	3350
Germany	19440	17687	1753	16210	14680	1530
Greece	1716	1145	571	1431	950	481
Ireland	1505	1307	198	1255	1085	171
Italy	12459	10866	1593	10389	9019	1370
Luxemb	452	395	57	377	328	49
Ner	7068	6647	421	5893	5517	376
Portugal	1248	1119	129	1040	929	112
Spain	9711	8271	1440	8098	6865	1233
Swden	5112	4625	487	4262	3839	424
UK	15570	15570	0	12983	12923	60
Australia	3497	3266	231	2916	2711	205
Canada	4701	4875	-174	3920	4046	-126
Japan	11177	13310	-2133	9320	11047	-1728
New Z	394	415	-21	329	344	-16
Norway	4443	4295	148	3705	3565	140
Swi	2162	1862	300	1803	1545	257
US	25921	27647	-1726	21614	22947	-1333
Total	154081	145110	8971	128481	120441	8040

The figures in the table below show the corresponding amounts for EU in euros.

Two comments are worth noting when comparing the figures from the table:

- Largely because of falling GNI, the EU 2010 promise is worth 8.7 bn euro less in 2010.
- In order to keep the same level of aid to poor countries and avoid a cut the EU should be at an average of 0.63% of GNI in 2010 not 0.56%.

Table 12.2. Pledges promised in Euro by 2010

	2010 originally promised (in Euro 2008)	2010 now predicted by OECD (in Euro 2008)*	Difference in Euro at current exchange rates**
Austria	1633	1467	166
Belgium	2727	2534	193
Denmark	2216	1978	238
Finland	1073	980	93
France	13469***	10487	2981
Germany	14658	13336	1322
Greece	1294	863	431
Ireland	1135	985	150
Italy	9394	8193	1201
Luxembourg	341	298	43
Netherlands	5329	5012	317
Portugal	941	844	97
Spain	7322	6236	1086
Sweden	3854	3487	367
UK	11740	11740****	0
Total	77126	68441	8685
Total %GNI	0.63	0.56	

All figures taken from the recent OECD Aid press release, table four, available at: http://www.oecd.org/document/35/A/3343,en_2649_34487_42458595_1_1_1_1,00.html with the exception of the UK figure which has since been revised following the UK budget.

** Exchange rate of 0.754 dollar to Euro.

*** This was the original promise made by France in 2005, based on the French reaching 0,7 by 2012.

**** This reflects the UK budget decision to stick to the cash figure for 2010 and not 0.56%.

EU policy objectives in this area relate to supporting the developing and Least Developed Countries (LDCs) to use trade as one of the instruments in poverty eradication and economic development. Aid for Trade is complementary element of the trade negotiations and constitutes an important part, but is not a substitute, of the Doha Development Agenda (DDA). Using the internationally agreed framework of trade agreements, AfT aims to help developing countries to benefit from trade opportunities. In more concrete terms the AfT strategy falls into the following six categories⁵:

1. Trade policy and regulations;
2. Trade development;
3. Trade-related infrastructure;
4. Building productive capacity;
5. Trade-related adjustment;
6. Other trade related needs.

The first two categories are commonly referred to as Trade-Related Assistance. The categories 3-6 are generally referred to as “wider aid for trade agenda”.

In 2005, EU has made important commitments pledging to spend collectively on TRA measures 62 bn per year from 2010 (€1 bn from the European Commission and €1 bn in bilateral assistance from the European member states).

EU strategy for AfT is guided by a number of important principles which call for:

- AfT to be provided to all developing countries but particularly to the poorest;
- AfT should be linked to MDGs and is part of the broader development agenda;
- AfT is part of other trade negotiations, including DDA, but is not a substitute for them;
- AfT serves to operationalise the Paris Declaration on Aid Effectiveness and the EU Code of Conduct on Complementarity and Division of Labour in Development Policy.

⁵ For detailed description of Aid for Trade categories, please refer to Appendix.

According to European Commission's monitoring report 2009, EU has nearly fulfilled its commitment to provide €2 bn annually to TRA by 2010. In 2007, the total EU TRA delivery amounted to €1,98 bn which signalled a considerable progress toward EU's target to provide €2 bn by 2010.

The table below show the total TRA delivery by EU between 2001 and 2007. The graph shows a substantial and constant increase in TRA aid volumes between 2004 and 2007.

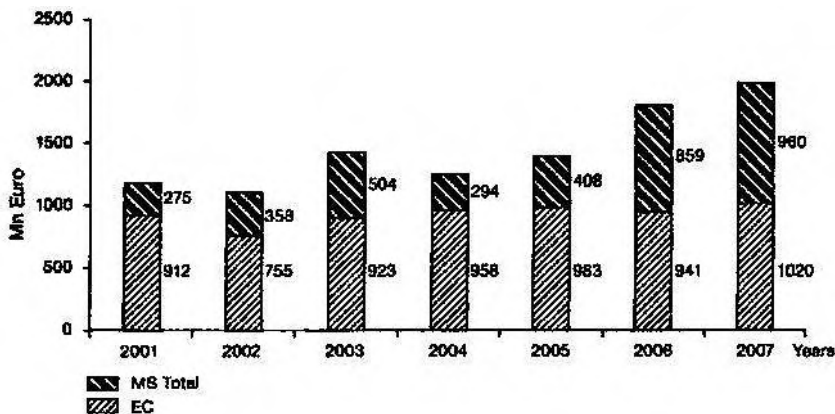
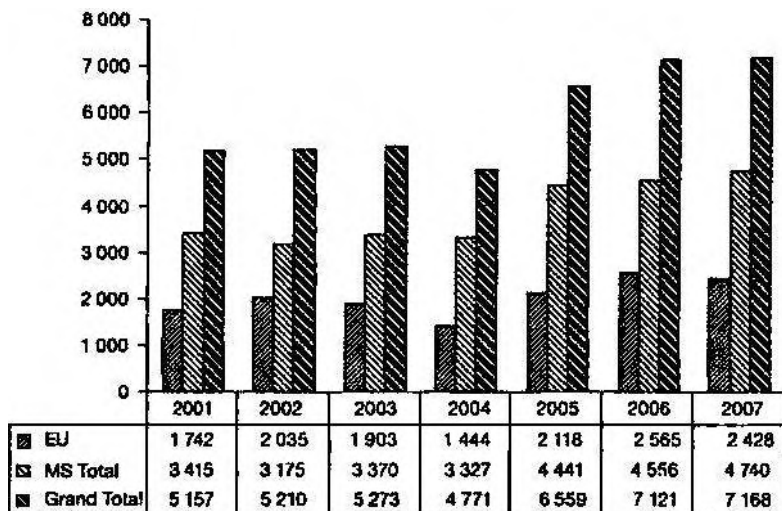


Figure 12.4. Trade Related Assistance EU Commitments 2001-2007 EU Delivery of Wider Aid for Trade

EU in 2007 made substantial contributions to the wider Aid for Trade Agenda, contributing overall €7.17 bn in 2007.

Of this figure Aid for Trade delivered by the EU member states amounted to €4.74 bn and €2.43 bn from the European Community. This figure shows an increase from 2006 when total AfT delivered by EU was €7.12 bn, of which €4.56 bn came from the EU member states and €2.57 bn from the European Community.

Overall AfT commitments are a priority for EU development cooperation as the table below summarizes. As can be seen from the comparison of aid volumes channelled through AfT instruments with overall ODA, AfT has steadily been a significant part of EU assistance to the developing countries. However, there is evidence that AfT's policy coherence as part of development



Source: Doha Development Database, CRS profiles and responses to Monterrey questionnaire.

Figure 12.5. Wider Aid for Trade Agenda EU Commitments 2001—2007

agenda need further strengthening. Donor governments need to mainstream Aft agenda in the policy dialogue with recipient countries, while the latter must ensure that Aft's instruments are made part of national poverty reduction strategies (PRS).

Table 12.3. EU AIT versus EU ODA commitments (in mn €)

EU commitments	2001	2002	2003	2004	2005	2006	2007
Aft	5,157	5,210	5,273	4,771	6,559	7,121	7,168
ODA-bilateral Sector	10,387.6	12,371.38	14,745.76	18,990.81	20,111.06	24,096.25	27,255.73
%Aft/ODA bilateral sector	49.65%	42.11%	36.76%	25.12%	32.61%	29.55%	26.30%
Total ODA	29,204.79	34,371.38	41,758.27	47,724.4	62,094.41	75,082.7	68,622.1
%Aft/total ODA	17.66%	15.14%	12.63%	10%	10.56%	9.48%	10.45%

Source: OECD — STATS (DAC5; DAC1) and responses to Monterrey questionnaire.

Improving Aid Quality: EU as a Leader in Delivery and Design of ODA

EU has a unique chance once again to demonstrate to the world its capacity to lead on delivery and implementation of ODA commitments. Developing country governments desperately need more long-term and predictable ODA delivered through their budgets that is not tied to various economic conditions that may undermine or offset poverty reduction strategies.

EU, in its development policy, faces a number of challenges:

- Increase the quality and quantity of ODA to meet the Gleneagles targets and crucially increase spending on budget support, as well as sector budget support on education and health. Evidence shows that ODA, when tied to specific social sector outcomes e.g. in health and education, are among the most effective poverty reduction strategies.
- Continue to tie its general budget support contracts to increases in developing countries' budgets allocated for health and education. Developing countries' governments should be supported to spend 15 per cent of their national budget on health (in line with Abuja Declaration) and 20 per cent on education (in line with Global Campaign for Education target).
- In the aftermath of financial turmoil and economic downturn, press the developing country governments to improve financial accountability and transparency as part of development package and condition for securing further budget support.
- Make its general budget support more long-term and predictable for the developing countries that meet requirements for financial accountability and demonstrated credible effort to tackle corruption, tax evasion and improve governance.
- EU must give full support (including financial) for European Commissions' plans to implement the MDGs contracts with developing countries allowing extending the length and predictability of aid.
- EU must use its collective voice to implement reform at IMF and the World Bank, including its governance structure, the quality of policy advice and presence of IMF's programmes in developing countries with sound macroeconomic environment. In particular, relax the IMF requirements on inflation targets and budget deficit provided countries pursue poverty reduction policies linked to positive social outcomes in specific sectors especially in health and education.

Conclusion and Recommendations

EU development policy over the past decade has undergone important evolution. At present, EU rightfully enjoys the leadership role in ODA and financing for development both within the G8 and OECD. However, there is still room for improvement. EU member states should take unambiguous concrete steps on delivery of their aid commitments by providing 0.56% by 2010 and 0.7% of GNI by 2015. EU should come up with a clear, timetabled plan to progressively increase ODA volumes by 2010 and 2015 milestones. EU must resolve to provide genuine and not inflated ODA⁶.

However, as past has demonstrated providing more aid is not enough. Providing the right kind of aid is EU's next big challenge. Aid, which is not fragmented; aid, which is predictable and long-term and that can become a powerful catalyst for developing strong public systems and setting the right development policies in place in the developing countries. Such aid can help send to school 72 mn children who currently have no access to education. Such aid can help train nurses, pay salaries to doctors and prevent that a woman dies every minute during pregnancy or childbirth or prevent that a child dies every three minutes from curable disease.

EU should strengthen policy coherence of all nine intervention areas that it considers crucial for poverty eradication and MDGs achievement⁷.

EU aid would be even more effective if it were further made contingent on developing countries' successful poverty reduction strategy, aligning ODA further with countries' budgetary processes, making budget support (both general and sector) more predictable and long-term. Furthermore, provided that developing countries have reached stable macroeconomic environment, achieved progress in financial systems' transparency and accountability, tackled corruption and maintained budget expenditures that avoid inflation, EU

⁶ Eurodad, Oxfam and Concorde's publication "Aidwatch" shame European member states for inflating their aid budgets by including expenditures that do not strictly correspond to ODA that would be disbursed to developing countries. Traditionally, EU used technical assistance conditionality under which country — recipients of aid were conditioned to purchase goods and services originating from donor countries. Typical examples are use of consultants — nationals of the European Union, practice which does not contribute to local capacity building. More recently, members states have started to include refugee costs and education costs for foreign students in their aid budgets.

⁷ Trade and regional integration; the environment; infrastructure, communications and transport; water; energy; rural development; governance, democracy, human rights; conflict prevention; human development; social cohesion and employment.

along with other donors should pressure for rapid exit from IMF programmes or, at least, for allowing fiscal flexibility that would enable governments to pursue poverty reduction strategy in the context of sustainable development.

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Appendix 1

Table A12.1. Breakdown of the \$50 bn promised at Gleneagles*

	2010 Gleneagles originally promised (in US \$2004 mn)	Aid level in 2004 (in \$US 2004)	Share of the \$50 bn	Share as a %
Austria	1805	691	1114	2
Belgium	3016	1440	1576	3
Denmark	2451	2028	423	1
Finland	1187	662	525	1
France	14895	8441	6454	13
Germany	16210	7449	8761	18
Greece	1431	458	973	2
Ireland	1255	589	666	1
Italy	10389	2464	7925	16
Luxemb	377	242	135	0
Ner	5893	4229	1664	3
Portugal	1040	1020	20	0
Spain	8098	2538	5560	11
Swden	4262	2712	1550	3
UK	12983	7866	5117	10
EU Share of \$50 bn			42464	85
Australia	2916	1441	1475	3
Canada	3920	2536	1384	3
Japan	9320	8682	638	1
New Z	329	209	120	0
Norway	3705	2211	1494	3
Swi	1803	1365	438	1
US	21614	19201	2413	5
Total	128481	78474	50007	100

*All figures taken from the recent OECD Aid press release, table four. http://www.oecd.org/document/35/0,3343,en_2649_34487_42458595_1_1_1_1,00.html with the exception of the UK figure which has since been revised following the UK budget.

Appendix 2

Table A12.2. Impact of recession on \$50 bn promised at Gleneagles

	2010 Gleneagles originally promised (in USD \$2008 mn)	2010 now predicted by OECD (in \$US 2008 mn)	ifference (in \$US 2008 mn)	2010 Gleneagles originally promised (in USD \$2004 mn)	New Projections (USD \$2004 mn)	ifference (in \$US 2004 mn)
Austria	2165	1945	220	1805	1614	191
Belgium	3617	3361	256	3016	2790	227
Denmark	2939	2623	316	2451	2177	274
Finland	1423	1300	123	1187	1079	108
France	17863	13909	3954	14895	11544	3350
Germany	19440	17687	1753	16210	14680	1530
Greece	1716	1145	571	1431	950	481
Ireland	1505	1307	198	1255	1085	171
Italy	12459	10866	1593	10389	9019	1370
Luxemb	452	395	57	377	328	49
Ner	7068	6647	421	5893	5517	376
Portugal	1248	1119	129	1040	929	112
Spain	9711	8271	1440	8098	6865	1233
Swden	5112	4625	487	4262	3839	424
UK	15570	15570	0	12983	12923	60
EU Total	102289	90770	11519	85293	75339	9954
Australia	3497	3266	231	2916	2711	205
Canada	4701	4875	-174	3920	4046	-126
Japan	11177	13310	-2133	9320	11047	-1728
New Z	394	415	-21	329	344	-16
Norway	4443	4295	148	3705	3565	140
Swi	2162	1862	300	1803	1545	257
US	25921	27647	-1726	21614	22947	-1333
Total	154081	145110	8971	128481	120441	8040

	2002-2007*		2008-2013**	
	€ mn	% of total EC aid	€ mn	% of total EC aid
Mozambique	311.4	52	229.1	48
Burkina Faso	275.5	60	253.8	60
Tanzania	192,5	46	244	55
Niger	184.9	51	90	25
Madagascar	180	35	139	30
Zambia	179	48	185.5	49
Mali	122.5	29	119.4	30
Kenya	115	40	107	35
Ghana	102.2	32	128	45
Rwanda	101.8	47	110	49

* Based on indicative allocations after end-of-term review, see EEPA (2008).

** Based on preliminary data provided by Eurostep, excluding incentive tranche.

The EU uses the following six categories, which relate to Aid for Trade activities. Such categorization is useful for coherent reporting and monitoring. Each AfT category is linked to one or several specific codes in the general Creditor Reporting System (CRS) to which overall ODA is reported.

Trade Related Assistance (TRA):

Trade policy and regulations: trade policy and planning, trade facilitation, regional trade agreements, multilateral trade negotiations, multi sector wholesale/ retail trade and trade promotion. Includes training of trade officials, analysis of proposals and positions and their impact, support for national stakeholders to articulate commercial interest and identify trade-offs, dispute issues, and institutional and technical support to facilitate implementation of trade agreements and to adapt to and comply with rules and standards.

Trade development: investment promotion, analysis and institutional support for trade in services, business support services and institutions, public-private sector networking, e-commerce, trade finance, trade promotion, market analysis and development. This is largely a subset of building productive capacity, covering specifically its most trade related part.

Wider Aid for Trade agenda: TRA together with the below:

Trade-related infrastructure: physical infrastructure including transport and storage, communications and energy generation and supply.

Building productive capacity: Includes business development and activities aimed at improving the business climate, privatisation, assistance to banking and financial services, agriculture, forestry, fishing, industry, mineral resources and mining, tourism. Includes trade and non-trade related capacity building.

Trade-related adjustment: covers contributions to the government budget to assist with the implementation of recipients own trade reforms and adjustments to trade policy measures by other countries; and assistance to manage shortfalls in the balance of payments due to changes in the world trading environment.

Other trade-related needs: Other trade-related support not captured under the categories or purpose codes above.

Key features of MDG contracts:

According to the most recent proposal, as of 21 February 2008, the likely features of MDG contracts will be:

- Funds will be committed for six years, instead of the usual three years.
- 80 per cent of the funds will be disbursed on the condition that there is no breach in the eligibility criteria; the remainder will be given to the extent that the country meets performance criteria.
- Annual payments for the first three years will be fixed; annual payments for the next three-year period will be set after a mid-term review of performance with respect to MDG-related indicators.
- There will be annual monitoring of performance; under-performance will not immediately lead to cuts in funding (as is currently the case) but rather to a reinforced dialogue.
- If the country is not performing well on the eligibility criteria, this may lead to a temporary withholding of ten per cent of the annual allocation.
- In addition to the regular entry conditions, there are three further eligibility criteria: countries must have a good track record on implementing budget support over three years; they must show a commitment to monitoring and achieving the MDGs; and there should be an active donor co-ordination mechanism to support performance review and dialogue.

Source: EC (2008) "The MDG Contract. An Approach for Longer Term and More Predictable General Budget Support".

Chapter 13

Security as a Global Public Good: Common Issue for the EU and G8 Agenda

Sergey Medvedev, Igor Tomashov

Security and International Peace as Global Public Goods

The provision of international peace and security is perhaps the most important global public good. In fact, conflicts and wars are usually accompanied by the violation of human rights, destruction of the environment, erosion of institutions and other public goods. Moreover, they cause negative effects, which may destabilize situation at both regional and global levels.

Civil wars and ethnic conflicts trigger refugee flows, growth of crime, and may directly or indirectly influence the situation in neighboring countries. For example, the genocide in Rwanda in 1994 led to the destabilization in Burundi and Zaire (Collier 2006). As pointed out by the International Task Force on Global Public Goods, “In the absence of an effective collective security system, not only will the levels of war, terrorism and other forms of strife increase, but international prosperity will be at risk or even reversed. War, conflict and terrorism will erode international confidence, weakening financial markets. And isolationism and distrust between peoples will infect trade regimes, bringing protectionism and economic reversal. International public health and efforts to combat climate change will suffer in an atmosphere of eroding security” (International Task Force on Global Public Goods 2006).

From the one side, security and international peace are essential global public goods, non-excludable in provision and non-rival in consumption. The only argument against this thesis is a geographical remoteness of the conflict region. However, although remoteness to some extent influences the perception of the situation, it does not change the basic characteristics of this type of global public goods. Moreover, the role of the geographical factor is decreasing, considering the “globalization” of the notion of security and peace, and the elimination of the problem of “free-rider” in international politics: in today’s world, there are no “free-riders” in the sphere of international security.

However, the study of concrete examples shows, firstly, an existence of different interpretations of security and peace as global public goods, and, secondly, an absence of the mutual dependence between security and peace. When only few countries possess nuclear weapons, it may be seen as a global public good, playing a stabilizing role in the international system. But the borderline between good and bad in this situation is thin: in theory, the aspiration of North Korea and Iran to possess nuclear weapons strengthens their national defense capacity (which may be not the case in reality) at the price of international security. Another fundamental question is to which extent the existence of armies guarantees security and peace and to which extent it precludes peace and security. "Military lobby" has a vested interest in the accumulation of arms and in the perpetuation of conflicts; millions of people all over the world earn their living by working in the military industry or dealing in the "markets of violence". For them, wars are a kind of "club good".

An example of the USSR is an extreme case of the overproduction of the defense capability of the state and of security of the whole Soviet bloc. Meanwhile, the situation of the second half of the 20th century was hardly peaceful. The US and the USSR faced each other during the Cold War, intensifying the arms race and engaging in numerous peripheral conflicts. At times, the world was put at the brink of the nuclear catastrophe, as it happened in the 1962 Cuban Missile Crisis. The military might of each other coerced them to peace but did not establish it. This problem is broader than it looks at first glance; a search for balance between guaranteeing the security and peaceful development requires a reassessment of the role of the military factor; meanwhile conflict management and institution building require different types of political management.

In the era of globalization, the concepts of security and international peace are evolving as well. On the one side, the notion of security acquires a "civil" dimension and becomes more elusive: apart from prevention of wars, terrorism, organized crime, and proliferation of the weapons of mass destruction, nowadays it includes financial and energy security, struggle against infectious diseases and against environment degradation. On the other side, the prospects of international peace are vague in the conditions of the growth of global inequality, erosion of the world order, discrediting of the Western "liberal imperialism".

During the Cold War, security was a kind of one-dimensional and homogeneous problem field. It existed in a single political and geographical space, determined by the ideological rivalry between capitalism and socialism. These

days, the provision of global security is a multi-dimensional and multilateral process. This is perfectly seen from the example of Europe, whose security is provided by such different organizations as the North Atlantic Treaty Organization (NATO), the Organization for Cooperation and Security in Europe (OSCE), the European Union (EU), and the Collective Security Treaty Organization (CSTO) of the Commonwealth of Independent States (CIS). The UN is gradually losing its legitimacy at the global level, not being able to assume the role of the universal mechanism for the solution of security problems. States tend to prefer unilateral actions, or build “coalitions of willing”, when engaging in military actions or in conflict management. In these circumstances, the security role of new actors such as the EU is coming to the fore.

The EU's Common Foreign and Security Policy: Providing for Global Security?

Gradualness and consistency in pursuing the goals have always been EU's mode of operation. A move from the economic community to a political union was not easy and took several decades. This process still continues: trying to adapt to the consequences of the recent enlargements and to overcome a crisis of integration, the EU now faces a challenge of political institutionalization and implementation of the common foreign and security policy. And although the citizens of the European countries are not quite ready to see further weakening of their countries' national sovereignties, as indicated by the hardships of the ratification of the European constitution and the Lisbon Treaty, at the level of values, the preconditions for further integration are all in place. An aspiration to peace, commitment to peaceful resolution of conflicts, the rule of law, human rights, and democracy are all essential parts of the European identity. Opinion polls show that European citizens would favor the adoption by the EU a more effective foreign and defense policy in order to pursue these goals (Emerson 2008).

The establishment of the Western European Union (WEU) in 1948 and of NATO in 1949 are one of the most notable landmarks in the history of the cooperation of European countries in the field of security. These two organizations have guaranteed security of Europe during the second half of the 20th century, until the WEU and the EU merged in 2000 and NATO became oriented towards the solution of global rather than regional problems. Nowadays the EU tends to play a more active role at the international stage, pursuing its foreign policy goals within the framework of the Common Foreign and

Security Policy (CFSP) and the European Security and Defense Policy (ESDP) (Barabanov 2000).

EC member states first spoke about the prospects of the implementation of the common European foreign policy through more active intergovernmental consultation and exchange of information at the end of 1960s, when an idea of the “European Political Cooperation” was discussed at the European Council summit in the Hague (Barabanov 2000). The Single European Act adopted in 1986 formalized this intergovernmental cooperation in the field of foreign policy and confirmed an aspiration of the member-states to “endeavor jointly to formulate and implement a European foreign policy” (Barabanov 2000). The massive changes of the end of 1980s and beginning of the 1990s further enhanced this desire.

After the signing of the Maastricht Treaty common foreign and defense policy became one of the pillars of integration. Shortly thereafter, the WEU defined new tasks of foreign and defense policy: humanitarian and rescue tasks, peacekeeping tasks, and tasks of combat forces in crisis management, including peacemaking (Barabanov 2000). The EU began to position itself as a “supplier” of security as a global public good; building on the experience of successful provision of peace and security in Western Europe, the EU aspired to “export” security to the global markets. Since that time the EU has become a significant international actor and has participated in conflict management in the Balkans, in Africa and in the Middle East. Another important step was the Amsterdam Treaty, which established the post of a High Representative for Common Foreign and Security Policy. Javier Solana, former Secretary General of the NATO, holds this position since October 1999.

The priorities of the EU foreign policy are defined in the European Security Strategy adopted in 2003. The documents specifies the main contemporary security threats: terrorism, proliferation of the weapons of mass destruction, regional conflicts, organized crime — and calls for a more active, efficient, coherent foreign policy open for cooperation with partners. “*The European Union should be ready to share in the responsibility for global security and in building a better world*”¹. In this sense, European foreign policy aims at providing security as a global public good rather than at building the isolationist “fortress Europe”.

¹ A Secure Europe in a Better World. European Security Strategy. Brussels, 2003, December 12, p. 2, available at: <http://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf>.

During the last ten years the EU led more than twenty anti-crisis missions. Among them are military operation in Bosnia and Herzegovina, Chad, DR Congo and off the coast of Somalia, as well as civil operations in Kosovo, Georgia, Palestine, Iraq, Afghanistan, and Indonesia². Moreover, the activity of Javier Solana is supported by eleven special representatives of the EU, working in Afghanistan, the region of the Great Lakes in Africa, in Bosnia and Herzegovina, Central Asia, in Kosovo, Macedonia, Moldova, Sudan, in the South Caucasus, the Middle East, and also in the African Union³.

The scale and tasks of the CFSP are gradually widening. Mission EULEX in Kosovo organized in 2008 is the largest civil operation in the EU history: around 1900 European international police officers, judges, prosecutors and customs officials are contributing to the institution building on the territory of the newly declared state⁴. An important role of the EU in the settlement of the conflict in Abkhazia and South Ossetia is also worth mentioning: it was Nicolas Sarkozy, the leader of France holding EU presidency at that moment, who mediated in the conflict management between Russia and Georgia in August — September 2008. Nowadays stability in the region is backed by the EU Monitoring Mission in Georgia⁵. Finally, in 2008 the EU announced its first naval operation, planning to fight piracy in Somalia by sending there around twenty ships and aircraft during 2009⁶.

The Role of the EU and G8 in the Provision of Global Public Goods

The domain of public policy is not limited any more by the borders of nation-states. Public policy has gone global, which opens new opportunities for collective action but also causes new problems. Guaranteeing international peace and security is one of the main points on the global agenda. However, despite the recognition of this fact by all significant international actors, the level of

² Overview of the missions and operations of the European Union, 2009, April, available at: <http://www.consilium.europa.eu/uedocs/cmsUpload/map-ENApril09.pdf>.

³ EU Special Representatives, available at: <http://ue.eu.int/showPage.aspx?id=263&lang=EN>.

⁴ European Union Rule of Law Mission in Kosovo (EULEX KOSOVO), available at: <http://www.consilium.europa.eu/showPage.aspx?id=1458&lang=en>.

⁵ European Union Monitoring Mission in Georgia (EUMM), available at: <http://ue.eu.int/showPage.aspx?id=1512&lang=en>.

⁶ EU Naval Operation Against Piracy (EU NAVFOR Somalia — Operation ATALANTA), available at: http://ue.eu.int/uedocs/cmsUpload/090422-Factsheet_EU_NAVFOR_Somalia-version6_EN.ndf.

violence in the world does not decrease, new conflict areas continue to emerge, and an amount of terrorist acts grows every year. Although Western countries make considerable efforts, struggling these types of global public bads, the demand for security and peace by far exceeds their supply.

Many actions by the West, and their long-term consequences, also provoke ambiguous interpretations. The lack of aid to the poorest countries is seen as an evidence of the “predatory nature of capitalism”; but the increase of assistance conditioned by launching political and economic reforms is often called “another manifestation of neocolonialism”. Moreover, the research indicates that the increase of humanitarian aid and official development assistance may not reach their aims because irresponsible local leaders in the recipient countries use released government resources to raise their military spending⁷ (Collier 2006). The countries of the G8 are also criticized for the fact that its members, speaking about global security and struggle with poverty, in reality are not ready to build a better world, having a material interest in selling arms to the same countries, which receive their humanitarian aid: Congo, Sudan, Myanmar, etc.⁸ But if they one day refuse to sell weapons, this will quite probably result in the new accusations of the developed countries, that seek to preserve their hegemony by preventing the developing nations from guaranteeing their security.

One of the most disturbing trends of the 2000s is a slowdown in the pace of world’s democratization. Nowadays an amount of democracies is roughly the same as it was ten years ago⁹. The United States’ attempt to establish democratic regime in Iraq did not only taint their global image but it also seriously destabilized global security. The question is paradoxical: is it possible to wage wars for the sake of the ideal that democracies do not fight each other?¹⁰

⁷ “Recent research has been able to estimate this leakage; typically about 16% of aid indirectly augments military spending. This is not a high percentage, but in Africa, where aid is large relative to military spending, this estimate implies that on average more than half of military spending is inadvertently financed by aid.” See (Collier 2006), p. 10.

⁸ “Bolshaya vos’merka rasoryaet beneishie strany pri pomoshi postavok oruzhiya (The group of Eight Ruins the Poorest Countries by Selling Them Arms), available at: <http://www.lenta.ru/news/2005/06/22/g8/>.

⁹ The summary of a roundtable discussion titled “The State of Democracy in the World and the Western Effort to Promote It: Why Has Progress Stopped?” The Carnegie Moscow Center, 30th of July 2008, available at: <http://www.camegie.ru/ru/news/78748.htm>.

¹⁰ A striking answer to this question was given in 2002 by an English diplomat and supporter of the invasion of Iraq Robert Cooper. He tried to argue the positive role of the

However, difficulties in finding the consensus is not a reason to give up. The EU provides the example of best practice here. The size of the European aid, which comes from the EU budget and the budgets of its member-states, amounts to approximately EUR 50 bn, accounting for more than 50% of the world's official development assistance¹¹. Moreover, the EU is the largest trading partner for the world's poorest countries. The Union also supports non-governmental organizations and fulfils commitments, undertaken during the summits of the G8. E.g., accomplishing the project "G8 Global Partnership against the Spread of Nuclear Weapons and Materials of Mass Destruction", the EU has committed more than EUR 850 million for a more effective control over chemical, biological, radiological and nuclear weapons and materials¹².

Establishment of humanitarian and military missions makes it possible for the EU to use its authority and resources for the provision of global security. However, the EU is often criticized for inability and even fear of a more active engagement in international affairs. In fact, can the dispatch of a few dozens of police officers and diplomats to several countries change anything in reality? The only exclusion is the Balkans, but this region has a prospect of joining the EU and that is why the operations there cannot be seen as an accomplishment of a purely global mission. And even in the Balkans the EU follows the principle of the "visibility" of the uniformed military and police forces, whose symbolic presence should prevent new violent conflicts (Emerson, Gross 2007). In this sense, the "post-heroic" approach of the EU can be either praised as a new post-modern type of foreign policy or criticized for its passivity. The reality is that it is in many ways predetermined by the US mil

idea of "double standards" in international relations: "The challenge to the postmodern world is to get used to the idea of double standards. Among ourselves, we operate on the basis of laws and open cooperative security. But when dealing with more old-fashioned kinds of states outside the postmodern continent of Europe, we need to revert to the rougher methods of an earlier era — force, pre-emptive attack, deception, whatever is necessary to deal with those who still live in the nineteenth century world of every state for itself. Among ourselves, we keep the law but when we are operating in the jungle, we must also use the laws of the jungle". See: Cooper R. (2002) "The New Liberal Imperialism", The Observer, April 7, available at: <http://www.guardian.co.uk/world/2002/apr/07/1>.

¹¹ Tackling Poverty, available at: <http://ue.eu.int/showPage.aspx?id=T245&lang=EN>; Europe gives more and better aid, available at: <http://ue.eu.int/showPage.aspx?id=T248&lang=EN>.

¹² G8 Global Partnership, available at: <http://ue.eu.int/showPage.aspx?id=1226&lang=EN>.

itary might, which makes it possible for Europe not to think about military aspects of its security.

In general, the EU nowadays is one of the largest suppliers of global public goods. Establishing peace in Europe and the creation of a stable zone of freedom and security on the continent are one of greatest achievements of humanity in the second half of the 20th century. The tasks for the 21st century are a further accumulation of these goods and the spread of European values and high political and economic standards to the territory of at least “Wider Europe”, which includes the Mediterranean region, the Middle East, Russia, and Central Asia. The development of the Common Foreign and Security policy is undoubtedly the main instrument of the provision of international peace and security as global public goods.

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Chapter 14

Knowledge and Education as Global Public Goods

Sergey Medvedev, Igor Tomashov

Knowledge and Education as Global Public Goods

The development of knowledge economy is one of the key characteristics of the changes, occurring globally during the last decades. No doubt that education, inventions, and accumulation of knowledge have always been important factors of progress. But the main sources of power were violence and wealth. Nowadays this balance is changing: as pointed out by Alvin Toffler, as a result of metamorphoses of power “both the wealth and violence became vitally dependent on knowledge” (Toffler 1990).

As a result of these changes knowledge and education have become “globalized” public goods, and while in the past the development of education system was primarily the task of the nation-states, nowadays achieving universal primary education and gender equality in access to education is proclaimed as one the Millennium Development Goals¹. The situation is ambiguous: knowledge in a broad sense is a driving force of the development of civilization — but at the same time it is one of the sources of the growing global inequality. While the developed countries have all the opportunities for the advancement of science, outsiders are dependent on the import of technologies as well as humanitarian and financial assistance.

Knowledge is a non-excludable and non-rival global public good. Everyone can learn a mathematical theorem and this does not prevent others from learning it. The more well-educated people are there in the society, the higher the potential of its development. So the source of the problem of global inequality lies not in knowledge as such but in the provision of access to it, and in the transaction costs associated with gaining access. The problem of the universal primary education is still not resolved: in Africa, more than 40

¹Education for All — quenching the thirst for education, 2007, December, available at: http://www.bmz.de/en/EU_G8/Blickpunkte/blickpunkt_efa_bonn/index.html.

million children, 60% of whom are girls, are currently excluded from the school system².

According to the United Nations Millennium Declaration, the aim of universal primary education for children everywhere should be reached by 2015³. Obviously, it is impossible without the participation and assistance of the states and organizations, claiming to exercise global governance, first of all, the members of the G8 and the EU. Financial and technological initiative belongs to them, and success is dependent on the realization of such ideas as, for example, “one laptop per child”⁴. The concept of this project is to provide children, living in the developing countries, with cheap laptops in order to improve the quality and efficiency of their education and to overcome the “digital divide”.

The problem of access to primary education is one of the most difficult among those related to the sphere of education and science, but it is far from being the only one. In particular, the issue of copyright protection and patenting is quite pertinent these days. The work of researchers should be well-paid but this to some extent contradicts the principles of non-excludability and non-rivalry, which guarantee the existence of knowledge as a global public good. In search of a solution to this problem, the system of state and private support to research and the system of patenting emerged. Patenting supports the material incentive of scientists, while limiting non-excludability of knowledge for a certain period of time.

In this sense, the interaction between key actors in the field of knowledge and education has a somewhat contradictory character. On the one side, in the recent years it has been determined by the growing international cooperation and by the understanding of the necessity of narrowing the global social and economic gap. On the other side, countries, organizations and individuals do not only cooperate but also compete with each other in this critically important sphere. Accumulation of knowledge as a global public good is difficult because of the huge costs of access to high quality education and due to the lack of single educational standards and proper infrastructure.

² Education for Innovative Societies in the 21st Century. St. Petersburg, 2006, July 16, available at: <http://en.g8russia.ru/docs/12.html>.

³ The United Nations Millennium Declaration (in Russian), available at: <http://www.un.org/russian/document/declarat/summitdecl.htm>.

⁴ One Laptop per Child. Official website, available at: <http://laptop.org/en/>.

Education in the G8 Agenda

Attention to the problems of education has grown steadily during the last years. Key international actors have realized the critical importance of the sphere of education for the development of modern societies. It has become obvious that achieving ambitious political, economic and social goals is impossible without the adaptation of education to today's realities. An important role was played by the political factors which broadened the agenda of the G8, namely its evolution from an informal economic club to an important link in the mechanism of global governance, and an intensification of dialogue and cooperation with such international institutions as the EU, the UN and the World Bank.

An amount of mentioning of the word "education" in the communiqués and final documents of summits has been rising from year to year and became a stable point of the agenda in the second half of the 1990s (Kirton, Sander-land 2005). Several times the problems of education have been considered in close connection with other issues such as the development of information technologies, fighting unemployment, and assistance to the developing countries. Education was discussed as one of the key topics at the G8 summits held in 1999 in Cologne, 2002 in Kananaskis, and 2006 in St. Petersburg. The meetings of the ministers of education were organized in 2000 and 2006. The ministers of economy discussed the problems of education in 2002.

The representatives of the EC/EU as an international organization participate in the G8 summits since 1977. They participate in the multilateral negotiations, both promoting their interests and supporting the initiatives of the European countries. Having a positive experience of the development of cooperation in the field of education, the EU and European members of the G8 play an important role in defining the approaches of the G8 towards these problems. On the initiative of European leaders, the topic of "lifelong learning" a decade ago became a subject of discussions at the Cologne summit of the G8. The leaders of the states adopted then the Cologne Charter "Aims and Ambitions for Lifelong Learning", in which they emphasized the role of education in achieving economic success, civic responsibility and social cohesion⁵.

Next year the responsibility of hosting the G8 summit rotated to Japan, which suggested continuing the dialogue on education as one of the points on

⁵ G8 Education Ministers' Meeting and Forum. 2000, Tokyo, April 1-4, available at: <http://www.g7.utoronto.ca/education/education0400.html>.

the agenda. The first meeting of the ministers of education was held in April 2000 in Tokyo. They discussed the challenges, which the educational systems face in the era of globalization, the opportunities of using information and communication technologies in education, and the prospects of promoting “lifelong learning” programs and international exchange of students, teachers, researchers and administrators⁶.

In the same year 2000, UNESCO held the World Education Forum in Dakar, which confirmed the goals of the Millennium Declaration and adopted new commitments such as “achieving a 50 per cent improvement in levels of adult literacy by 2015, especially for women, and equitable access to basic and continuing education for all adults” and “eliminating gender disparities in primary and secondary education by 2005, and achieving gender equality in education by 2015, with a focus on ensuring girls’ full and equal access to and achievement in basic education of good quality”⁷. The strategy was called “Education for All” and became the main global initiative on the development of education.

The member-states of the G8 and the EU participate actively in the realization of this program. It was addressed at the summit in Kananaskis in 2002, when the political leaders agreed a document “A New Focus on Education for All”, in which they supported the joint plan of the World Bank and International Monetary Fund on accelerating the progress towards education for all, and announced their commitment to raise the size of aid to developing countries (Kirton, Sandcrland 2005). The launch of the Education for All Fast Track Initiative was a result of joint efforts. This program is implemented by the World Bank but financed from different sources, including the EU budget. Moreover, the European Commission develops its own programs of assistance to the poor countries being the world’s largest donor of official development assistance⁸.

The discussion of the problems of education was especially active in 2006, when Russia chaired the G8. The EU was then one of the main initiators of ideas and proposals. The Commissioner responsible for Education, Training, Culture and Multilingualism Jan Figel was present at the meeting of the ministers of education of the G8 countries held in Moscow in June 2006.

⁶ G8 Education Ministers’ Meeting and Forum, 2000, Tokyo, April 1—4, available at: <http://www.g7.utoronto.ca/education/education0400.html>.

⁷ Education for All (in Russian), available at: <http://www.unesco.ru/rus/pages/bythemes/efa.php>.

⁸ Development Policies, available at: http://ec.europa.eu/development/policiesgen_en.cfm.

The “European vision” of the problems and perspectives of the development of education was mirrored in the final document of the meeting, the Moscow Declaration⁹. This document stressed the importance of the internationalization of education, development of international educational mobility, promotion of transparency and compatibility of educational systems — all the priorities of the EU, as pointed out by Jan Figel¹⁰. A special attention was paid to such highly sensitive topic for the EU as the role of education in adaptation and integration of immigrants.

The final declaration of the G8 members “Education for Innovative Societies in the 21st Century” is a policy document which stresses an important role played by knowledge in the modern societies and which defines the key goals of the development of education¹¹. These are: generating new knowledge and innovations, building skills for life and work, overcoming of global inequality in an access to education, advancing social cohesion and immigrant integration. The document stresses the fact that education is a public good of a global scale, which should be created and provided by states in close cooperation with the private sector through the launch of international projects and the harmonization of the educational systems.

Common European Educational Space as a Global Public Good

As one of the most successful international educational projects the G8 statement “Education for Innovative Societies in the 21st Century” mentions the Bologna Process, an ambitious initiative on creating the common European space of higher education. Formally, the Bologna process is not the project of the EU but actually its initiation and implementation cannot be analyzed outside of the context of European integration, which has created the institutional prerequisites for cooperation in the field of education and changed the mentality of people who realized the benefits from the “regionalization” of national public goods.

⁹ G8 Ministerial Meeting on Education, 2006, Moscow, June 1—2, available at: <http://www.g7.utoronto.ca/education/education2006.html>.

¹⁰ G8 on Education: Commissioner Figel’ to present the EU’s experiences in Moscow, 2006, Brussels, May 31, available at: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/702&format=HTML&aged=0&langu>.

¹¹ Education for Innovative Societies in the 21 Century.

Nowadays more than forty countries participate in the Bologna process and it is possible to speak about the harmonization of educational systems on the huge space from Reykjavik to Vladivostok. One of the direct results of reforms should be an “adoption of a system of easily readable and comparable degrees, also through the implementation of the Diploma Supplement, in order to promote European citizens employability”¹². Internationalization of education, fostered by the Bologna process, also contributes to the development of cooperation between universities and research centers of the European and other countries. One can observe a gradual emergence of the global educational space and the development of infrastructure, equalizing access to high quality education. All these facts favoring the realization of goals formulated at the G8 ministers of education meeting in Tokyo in 2000: doubling the mobility of students and teachers during the 2000s and easing the transfer of qualifications and credits for students participating in international exchanges (Gorbunova, Larionova 2006).

The EU plays a key role in the promotion of a European higher education area. Realization of such projects as ERASMUS MUNDUS, Jean Monnet, and Framework Program for Research, Technological Development and Demonstration Activities leads to the emergence of the European identity and brings the EU closer to one of its main mid-term aims: building a knowledge-based economy¹³. At the international arena this provides Europe with an intellectual and technological superiority and attributes to the EU the role of the “best practice” in the creation of global public goods.

The EU pays a special attention to the realization of the concept of “lifelong learning.” Understanding its strategic advantages, as stated already in the Cologne Charter “Aims and Ambitions for Lifelong Learning” in 1999 and as reaffirmed in many other documents adopted by the world leaders, the EU started to implement a new long-term Lifelong Learning Programme¹⁴. Its realization during the period of 2007-2013 should lead to the development of the European economy, the emergence in Europe of the knowledge society, and to strengthening social cohesion. The program was formed by bringing

¹² The Bologna Joint Declaration of the European Ministers of Education, in: The Bologna Process and its Implications for Russia, Moscow: RECEP, 2005, pp. 147-149.

¹³ Lisbon Strategy, available at: http://europa.eu/scadplus/glossary/lisbon_strategy_cn.htm.

¹⁴ The Lifelong Learning Programme 2007-2013, available at: <http://ec.europa.eu/education/programmes/newprog/indexen.htm> 1.

together four existing EU projects: Comenius, stimulating mobility and cooperation between secondary schools; ERASMUS, promoting international student mobility; Leonardo da Vinci, supporting the development of professional skills; and Grundtvig, focusing on international initiatives in the field of adult education.

The EU also contributes a lot in the development of the educational systems of other countries. Starting from 1990, the EU implements TEMPUS program, which supports the institutional reforms in the sphere of education in the neighbor countries of the EU — in the Balkans, in Northern Africa, Eastern Europe, and in the Middle East. On the international stage the EU promotes cooperation not only with developed countries, but also with the developing ones, thus contributing to the achievement of the Millennium Goals and of the Dakar Framework for Action “Education for All.” For example, the program Edulink supports joint projects of the European educational institutes and the representatives of African, Caribbean, and Pacific countries.

The program ERASMUS MUNDUS is worth special mentioning, being one of the largest projects in the world developing international cooperation in the field of education and making high-quality European education accessible for the international youth. Of course, this “global public good” is far away from being non-excludable. Still, the very fact of its existence testifies to the “globalization” of higher education as a public good, and the scale of this and other such programs is growing. The new phase of the implementation of ERASMUS MUNDUS program starts in 2009: its total budget for the period until 2013 is around EUR 500 mn. The target group of the program includes now Ph. D. candidates; and the number of supported masters programs and the size of scholarships for students, teachers, and researchers is also growing.

Nowadays the EU has become a global leader in the sphere of development of higher education and science as global public goods. And although Europe is still lagging behind the US in the total number of foreign students and researchers, it has accumulated unique experience in the institutionalization of cooperation in all segments of the “triangle of knowledge” (education, research, innovation) crucial for the development of modern societies. The EU thus plays a key role in the internationalization of knowledge as a global public good.

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PART IV

MAIN TRENDS IN LEADERSHIP AND MODELS OF ENGAGEMENT

Chapter 15

EU as a Model for Global Governance Institutions

Vladimir Zuev

Reassessing Approach to Use the EU Experience

The world's financial crisis made worth an effort to rethink the existing model of global economic governance. One of the striking things among the others — is the insufficient level of global financial regulation.

Experts do not share a common view on the functioning of the system. Some of them consider the system of global governance was not ready to react to the new challenges and to sustain the pressure of critical events. Others will defend the system, admitting that only some slight changes into it would make possible to cope with the current problems. The truth, as very often, is probably somewhere in between.

The necessity to modify the pattern of functioning of the global financial institutions is clear. The institutions themselves should be made more viable and efficient and their competences to manage different aspects of global economy should be substantially enlarged.

How useful could an EU experience be in achieving the new global governance goals?

Using the EU experience has already been many times tried in many parts of the world and no less times — rejected. Those, who criticize the EU, have a lot of unsuccessful European projects in mind. The fact is, that there are a lot of them. But it is also true, that the projects accomplished are unique. Nobody

in this world has ever achieved so much advanced level of economic integration. The EU has a lot of unique features that no any other group of countries in the world could boast to have.

According to the WTO, there are 69 important preferential trade agreements among different groups of states and the total number of notified preferential agreements surpassed 200 in 2007 (World Bank 2004). In reality there are even more of them. Some of the states do not notify their agreements to the WTO. Among all of these groupings there is not a single one to be compared with the EU in terms of the scale of economic cooperation and the depth of integration among the country-members.

The EU has a long story of more than 50 years of success. The membership of the European Union has increased from initial six to the present 27 members. And many more candidates are waiting for their turn to be accepted as members for the Union. Would a not so much successful venture enjoy such popularity? The mere fact that ever more countries want to join and to be a part of the European integration, is a testimony of the value of this unique experience.

The EU experience can be of use in various ways to other regional and international organisations of different types and nature.

Setting up the European Monetary Union by the countries with different national interests and traditions, including the traditions related to national currencies, is a spectacular case of a hard reaching consensus. This compromise has changed the role of the countries of the Monetary Union in the world's monetary and financial system, as well as the geometry of the global financial system itself. Once established the European Monetary Union put an end to the US dollar international monetary system domination making way for the new era of bi-monetary system.

In April 2009 in London on the eve of the G20 summit Russia, China and Kazakhstan have put forward an idea to introduce a new supranational currency for international settlements. The EU experience definitely could be of a great help, if the plan is to be accomplished in one way or another.

Supranational mode of solving the interstate relations tasks is a one grade higher an agreement in complexity and by quality if compared to a "simple" compromise. To a certain extent it is a must, — a measure, forced by the need to find solutions to common problems and provided by the growing economic interdependence. But still different political consciousness and political will are required for this kind of agreement to be accepted. When the military or any other power-politics pressure are unacceptable in international relations,

but at the same time a solution to solve an urgent problem is needed, a traditional way reaching an agreement through the negotiations with the states possessing different vision of a matter, could take years, or even decades. And what if the solution is expected instantly?

What if the fishing quotas for the states, do not taking into account in their fisheries policies the scientifically based fish population forecasts, are put on the agenda? Waiting for a compromise, that could suit all the parties involved, might mean the end of a specific fish population existence before all the interests negotiated.

What if the climate change issues are in question? What if the anti-crisis urgent package is being discussed? Transferring some national competences to a supranational level in a limited number of fields becomes a necessity.

The supranational currency, of course, is not likely to be at the top of list of the common challenges to be addressed. The long road is ahead of the international community actors before the supranational currency issues will dominate the global agenda.

What is important is to concentrate on aspects of the EU experience that could be more realistically and rationally applied to the different spheres of economic and political interactions within the system of global governance institutions.

The Structure of the Institutional System

A number of interesting and innovative features of the EU institutional system can be found and described.

The first interesting case is the phenomenon of the European Council establishment.

While the EC institutions passing through the troubled seas of difficult integration areas to fix the terms and conditions of cooperation, the regular informal meetings of the EC member states Heads and governments helped to address the most confronting issues and to map out the development strategy. Although the structure didn't come to the EC institutional system as a part, it contributed a lot to the evolution of a legal order within the Communities.

Only since the Single European Act and the Maastricht Treaty the European Council had been officially established at the top of the EU institutional ladder. Up to this moment in the EU history, there were "simply" informal regular meetings of the EU countries Heads of state and governments. Even irrespectively to a fact that the European Council was not a part of the system

from the beginning of the European Communities, yet have been functioning in parallel to the EC official institutions, it had made an input to solve the acute problems and to set up the guidelines for the EC strategy development.

The system of global economic governance follows the same pattern in a way. The G8 had been created in a parallel to the UN system as an informal institution to elaborate solutions to the critical international problems and to set up the strategies of the world leading countries in accordance with global economic and political trends. At a certain period of time an existing UN institutions were not efficient enough (the way the EC institutions were far from being efficient) and an informal body in the G8 format of Heads of state and governments was fulfilling the aim of catching up for this efficiency.

Similarly the G20 meetings of the Ministers of finance and the Heads of Central banks of the 20 most powerful economies from all of the continents of the world have an unspoken goal to fill up the gap in inefficiency of functioning of the acknowledged global financial institutions. It is clear that the reform of the International Monetary Fund (IMF) quotas is only a beginning in a long process of making this global institution more credible, with countries more fairly represented, with a final goal to reach efficiency in solving most acute financial problems of the modern world economy (Strauss-Kahn 2008).

The emergence of the European Council in the EU structure demonstrates one of the example how the EU institutional system can be highly adaptive to the real needs of the integration within the Union.

Another useful experience yet to be followed by the system of global economic governance lies in a unique combination of the institutions of common interest of a supranational character and others, typically intra-governmental structures within the EU.

The intra-governmental structures representing national interests of the member-states (European Council, Council of Ministers) and supranational institutions working mainly for a common interest of the Union (European Parliament, European Commission, European Court of Justice) are delicately balanced with the EU.

This balance however is not a constant one. But within a non-linear trend there is a clear tendency of increasing the powers and competences for the supranational institutions within the EU. The role of the European Parliament, European Commission, and the European Court of Justice is in a constant gradual rise, which means that the potential for the integration is increasing,

as well as the ability to find common solutions to all the more difficult problems of the all the more interdependent economies of the member-states of the Union is getting much higher.

What are the needs of the system of global economic governance today? A more indepth overview of the EU experience could be useful.

Decision-making as an experience of accommodating interests of big and small participants to a venture

Effective decision-making is at the heart of any structure. Without a system of arriving to necessary decisions one could hardly foresee any progress in the functioning of any organisation. Many international structures, facing the challenges of the day, are searching new ways and means to make their work more efficient. It occurred to be of a special meaning to them at a time of the crisis. An effective decision-making is what they are really needed in the first run.

The other side of the successful equation — the one of the implementing decisions — should be considered and kept in mind that would become a subject of the further argumentation.

The EU decision-making is unique in the world. No other international institution can boast a similar system that is probably could be considered as the greatest achievement of the whole European integration process.

One can argue in favor or against its application within the global governance system, but one thing, which will be difficult to contest — is that so far humanity has not yet worked out a better mechanism to suit different nations within the international institutions to manage all the more interdependent global environment.

The worked out procedures have at a time a vast potential for a compromise, while safeguarding lots of insurance clauses forthose, who are awkward to leap forward in integrating their economies and societies within a Union.

The way decisions are made and implemented is considered as an explanation of the reasons of the EU successes.

Another important notion should be given to the mechanism working to accommodate the interests of the big and small countries differ in thier national interests, traditions and cultures; the mechanism serves to the big and small business, suits different social groups. Different political and economic factors (domestic and external) are taken into account, agrarian and industrial nations find their interest in developing common structures, economies of

different scale and degree of development are organically unified. Countries, which within a relatively short historical perspective were in a state of war, or which in an even shorter historical perspective were in a state of a cold war, find themselves together working out common decisions for a common structure of a vital importance for them all. More than this the proportion of those, who is dissatisfied is less than those, who are in favor of the Union. More and more countries wish to join a Union.

All of the mentioned achievements do have their relevance to suit the needs of different nations within the global institutions.

How the EU could achieve this?

To learn the secret is, as usual, as difficult as it simple at the same time.

In simplistic way the EU system of decision-making could be introduced and summarized as a system of four times three (4x3), where:

1 x3 = there are 3 major institutions for the decision-making — European Parliament, Council of Ministers and the European Commission;

2x3 = there are 3 major procedures to take the decision — consultation, consent and co-decision;

3x3 = there are 3 stages of the process — advancing a proposal draft, discussion-deliberations and acceptance of a decision;

4x4 = there are 3 major ways of voting for a decision — unanimity, simple or qualified majority vote.

One can already notice the simplicity and complexity of the procedure at the same time. Critics of the EU argue that the procedure is too complex. But it could not be more simple and logical having in mind the great tasks of the European integration and the complexity of the problems to be treated and difficult solutions to be found out.

The EU experience of decision-making can be of a value to the international community and even in simple day-to-day situations of problem-solving between ordinary people.

The system in general is, as they say it in French, extremely “souple”.

The procedure of decision-making is differs depending on the area and subject to cooperation. Interaction between the EU decision-making bodies varies and the mode of interaction is not the same. As more intensive the co-operation in a given field is, the more operational should be the system (quick decisions are required). Thus the more supranational mechanism is assure, that for the individual countries it is more difficult to hamper the compromise within the prescribed procedure.

Decisions can be more or less binding according to the circumstances. There are five known categories of decisions — from regulations and directives to simple recommendations — that assure the necessary margin of liberty for the member-states, while securing the required strict legal order within the EU.

Effective decision-making process in many countries of the world, which form international organisations, is associated above all with the full implementation of the right to “veto” a draft-proposal. While in the EU it is rather a transition to more extensive use of “majority and qualified majority” voting. Otherwise decisions are hard to make and long to agree upon.

It is also conceived that the redistribution of votes between the countries is properly arranged. On the one hand, small countries are possessed smaller share of votes. But not that much smaller as their size would suggest it should be. So they are satisfied to be “overrepresented” in the formulation of common policies. And their influence is much stronger, should they have stayed aside from the Union.

From the other hand, larger countries have larger proportion of votes, which entitled them to have a “bigger say” while formulating common policies. The common practice of the majority of international organisations is to think about how to accommodate small countries, how to avoid the dominance of the big ones. But a true success of the institution is possible if and when the interests of the bigger participants are also fairly represented. Would it be just if a small state would decide on common industrial policies on equal terms with a big industrial economy. Or would it be just if recipients of assistance from the IMF would determine the lending policy for the donors of the Fund. Most probably influential countries will not be satisfied with this equation. And smaller European states were wise enough to accept the realities.

If the balance between the interests of different states of different size has been found in a right way, an important explanation of the EU success story then could be possible to mention.

Another point relates to the competences of the common institutions. The states are granting the competences to the institutions and decide upon the degree and the range of these competences. But since institutions are given some powers, they can assume them in a relatively independent way without asking for a permission from the states to make a concrete policy. This degree of autonomy for the institutions is an important prerequisite for the success of the common policies.

To let all the participants to a Union feel more secure, according to the EU legislation, a state can opt out of a common policy, if some major national interests are at risk or heavily endangered. This may encourage a state, hesitating about the future consequences of cooperation in a field, to go ahead in a more decisive manner.

Then there is a principle of subsidiarity, integrated in the EU legal order, which means that decisions should be taken at an appropriate level. And this means that common institutions should deal with a problem only if national or regional level structures are incapable or less efficient in dealing with the same issue.

Is it not a lesson for many national or international structures, which tend to grab as many powers as they can, not to think about the most efficient way of dealing with a problem?

With all of this multiple-cautious-approach to the decision-making and legislative implementation in the EU, to some of the states it is still not enough a guarantee of a protection of their basic national interests in the process of the European integration. The European states sometimes remain nevertheless reluctant to subscribe into a certain new field of mutual cooperation within the EU for fears of unpredictable consequences for their respective economies and societies. And it is quite understandable. So unprecedented are the new common policies of the EU in the history of regional integration that it is difficult to foresee or to forecast the possible outcomes.

To further accommodate the drive of the European integration insurance mechanism has been set up to respond to realities and to alleviate fears of states in a deep going integration. That can be called a variable geometry of cooperation.

A variable geometry of supporters of a policy can be admitted as a certain test in a field of mutual interest, if some but not all of the member-states want to go ahead. Evident example of this kind was the European monetary system, joined by Britain after years of calculating the risks and benefits. Same example is the present Monetary Union, with the single currency euro in its heart. Britain and some other former and new EU members have not yet to make the decision and to be accepted in the Union. The Schengen agreement on visa free traveling within the EU borders was also initialized only by few member-states. But with the time running, cooperation between the states in an agreement gathered momentum and lured new members, who realized the advantages of this kind of cooperation, while at the same time assuming the responsibilities of it.

Taking a note of this trend, some analysts speak about the core and periphery of the European integration, sometimes in a negative sense, meaning the basic fundamentals of the process itself is somehow diluted and that a kind of disorder is brought in a formalized and well structured legal order within the EU. It could be more preferable to speak about the variable geometry of co-operation, because some of the countries may form the core in some of the policies and the very same countries may be a part of the periphery in other policies at some other time. As well as to speak about this phenomenon in a positive sense. Because of that many fields of integration are so sensitive from a point of view of a traditional notion of sovereignty of a state, that an additional degree of liberty of choice in joining a certain binding common policy may be a one more valuable experience of the EU for the modern system of global economic governance.

The list of the EU valuable experience is far from being complete. But even a partial application of the already mentioned features could bring a new impetus to the global governance efficiency.

The Economic Governance Problem

The world needs the global governance institutions. One of the major obstacles on the road to upgrading their status is a lack of efficiency of decisionmaking and decisions implementing.

Viable management of the global economy is already high on the current global agenda. This task will become all the more urgent a priority in a decade or so with the gradual increase in pressure to find quick solutions to the most acute problems. Time limit sets new priorities of the modern epoch.

One can think of some various ways to tackle the time limit problem and to assure an increased level of governance within the world economy.

First, to upgrade the level of governance, variable geometry institutional structures will be created in parallel to the existing ones. It is already possible to identify this process at a regional level, where on the top of the existing interstate regional organisations new ones are being set up with competences, which have not brought results within the old ones. In parallel to preserving the Commonwealth of Independent States (CIS) structure EurAsEc has been created with a different composition of member-countries to give a new impetus to the regional cooperation within the post-Soviet space. Time will show which of them turns out to be more resistant to the global environment changes and to what extent they would cope with those.

In a history of the European integration there was also a similar process of creation of the European Free Trade Association (EFTA) as an alternative to the fast developing cooperation within the structures of the European communities. Soft and binding integration options were offered for choice to the European countries at that time. In the course of events the more binding commitment was demonstrating more efficiency and more success in dealing with the tasks of the day. As a result the majority of the countries of the continent made their choice in favor of the European communities — European Union.

Another example of a similar nature related to the global institutions development is the establishment of the G20 in the format of summits of the ministers of finance and the central banks governors in parallel to the existing and influential IMF. According to many experts there was a certain duplication of missions. But the format was different, the nature of dialogue — less formal and less structured, which made up for the deficit in efficiency in the IMF activities. The 185 IMF member countries could not react to rapid changes in situation on international financial markets as fast as was needed, while the G20 could being more compact in composition and less formal in procedure.

The G20 was a product of the G7/G8 system, the latter itself a parallel structure to the UN bodies. The G8 priorities sometimes duplicate the UN Security Council or General Assembly tasks. Again the G8 provides another tool to deal with the same current agenda problems, as well as it is more compact and less formal and proved to be a viable instrument to find immediate solutions to the hardest issues of the global agenda.

In general, an increased role of the different informal structures seems to be a second way of upgrading the efficiency of the global governance system. Forums of a different kind become an important channel of information about the existing contemporary problems, and, as a result of the discussions, lead to decisions preparation and stipulate the increase of a level of global governance. A typical example of this kind is the Davos Economic Forum, which has become not only a place to address the issues of the global economic agenda, but to confine divergent views, to seek solutions and initiate decisions to common problems of sustainable economic development.

Third, other one method from the EU experience can be of use. The one of a variable geometry of a venture, the one, called sometimes — “different speed integration”. All the participants to a programme can have the right to “opt out”, which should not lead to an end of the project. Those who

support the idea could have an option to go on, providing for the rest of the countries the right to join at a later stage. The use of this method could be especially appropriate in the work of the global institutions when it is extremely difficult to reach unanimity between various member states. In the history of the European integration the method was frequently used. It shall be enough to mention the monetary integration with the European monetary system and a “monetary snake” and the European Monetary Union, as a final goal, where the method was applied at all stages leaving to the EU members the right to opt out, but at the same time securing the success of the venture for those who joined. The conclusion is that the “different speed” involvement into a project could also bring positive results and become a success.

In the modern international global ventures the examples of similar behaviour can be registered. For example, like in the case of Kyoto Protocol ratification to the UN framework convention with an aim to limit the green gas emissions in order to control the climate change and to protect environment. Though some of the big polluters, like the USA, have not ratified the Protocol, this has not precluded 141 countries from starting up this big scale unprecedented project. An important point for the “different speed” method application is to accumulate “the critical mass” for the start up. As far as the Kyoto was concerned, after Russia joined the project, the necessary threshold has been reached. The same method can be successfully applied in other global governance undertakings in the decades ahead. It is not realistic to think, that all the countries would be ready to join projects which require serious commitments. Thus, if the problem needs to be treated in emergency (like in the case of gas emissions), those who feel capable to assume the responsibility, could initiate an arrangement to be followed by the others.

Finally, forth, to upgrade the global governance system ability to deal with the acute problems of humanity, reform of the existing institutions is to be undertaken.

We have all the reasons to assume that in the coming decades the states, under the pressure of necessity to reach the global goals will have to pass some of the national competences up to the level of international organisations to make the global economic governance more operational. National states individually can not manage the global issues, which surpass their jurisdiction. Preserving the same volume of national sovereignty within global institutions, without at least some of the concessions as to the partial transfer of the

competences to the existing organisations, will make negative (unfavorable for the states) the balance of benefits and losses from the badly governed global economy.

The evolution can be foreseen at the global level of governance, similar to a certain extent, at the regional level of the European continent, where the European Union has made a far reaching progress in fulfilling the tasks of joint economic regulation. Namely, we can expect a partial transfer of strictly limited number of national competences in favor of international economic organisations in clearly defined cases, with strong limitations to the scope of application of these competences. Anyway, that will be the only reasonable approach to manage the interdependent global economy. Otherwise economic disasters are inevitable.

Most likely this trend will firstly start to make its way through within the system of global economic institutions, but not political or military structures. The same way it did in a case of the European integration.

Having these general remarks in mind, practically all the existing global economic institutions require a serious restructuring and need to be reformed in the coming years.

The EU as itself is not an exception. The main challenge for the EU is an uncompleted institutional reform, which is badly needed after the Union's enlargement from 15 to as many as 27 member-states. It was even not easy to make decisions at a composition of 15 members, but with the newly increased number of member-states, having all the more differences in their national interests and priorities, the process of reaching consensus will be much harder to achieve.

To undertake this institutional reform the EU has to adopt a new constitutional Treaty. We believe that this Treaty in some modified form will be adopted finally and enacted in the coming years, and that institutional reform will take place. It will make room for the EU to further strengthen its positions in the system of global governance in future.

The World Bank and the IMF also have to undergo a reform. First concern is the member-countries representation within these institutions. Quotas rearrangement and downgrading of the role of the USA in global financial governance — are highly talked about and likely to take place in the coming decade. Too many emerging economies seem to be interested in reforms for the USA to escape the pressure of actually performing it.

Many experts think necessary to upgrade the debtor-countries status within the governing institutional structures. But it is hard to change the present

status quo, where the majority of low income countries, which assure the vast part of the revenues to the lending authorities, do not have sufficient voting rights. Just to imagine the change of the mandate to the extent that debtors could be able to dictate policies to lenders is not at all realistic and will contradict the logic of the main goals of the established financial institutions. Change in this direction is even less likely, having in mind, the switch of the sides of many emerging economies from debtor status to the lender position. They will not be interested to downgrade the role of the lenders in the new institutions. The big question mark is whether they will be prepared to increase their financial contribution into the common funds?

When one tries to think over the practical aspects of the application of the EU model, for example in the course of the UN reform, one encounters a set of not easily dealt challenges. For example, how to fix a distribution of votes within a qualified majority decision-making procedure in a given structure within the UN system? If we take as criteria the population proportion, than all decisions will be Indo-Chinese, if economic potential is considered — than American-European, if raw materials are taken into account, — than... Apparently, a complex system in combination of all of them is needed. Again in a way they did in the EU.

But to depart from the unanimity rule in certain areas seems to be a necessary change. Are the countries ready for this change? Not all of them, and not to the extent it has been done within the EU. But some of the elements of the EU experience could be gradually implemented within the global economic governance system. By the way, many regional groupings are actively applying the EU experience, using sometimes the same wording to the cooperation procedures.

The major threat, perceived by majority of the nation-states, is how not to loose control over national economy. International institutions are perceived as a threat to national sovereignty. Many politicians and analysts are supporting this fear of losing control. For example, Vaclav Klaus, the President of the Czech Republic, speaking at the CATO analytical center in the USA, said that one of the biggest challenges for the positive transformation in the republic is the trend towards an increase in supranational elements within the EU policies: "I have outlined many times, that unification of Europe, the so called deepening of the European integration, as well as a fast political integration and the supranational trend within the EU... bring negative consequences for the democratic freedoms and rights" (Voclav 2007).

What is remained unclear is that how a supranational trend could endanger civil freedoms and democracy. Apparently one has to analyze degree of democratic freedoms within the system. Supranational mechanism itself does not bring more or less democracy. It could be either way — more or less democratic, in comparison to national systems.

Another fear is the one of losing national control over economy as a result of a supranational institutional trend development, also seems not well founded and far from reality. The national control over a part of economy, which becomes transnational, in our opinion is lost anyway, by a nation-state. Global institutions only help to partially restore some control, already lost, as a result of the process of globalization.

A case of offshore business activities could be a good example of this kind. Global institutions could help to catch up for the loss of control over some of the offshore activities. That is exactly the reasons why cooperation with offshore jurisdictions was high on the global agenda within the G20 in London in April 2009, with a follow up by other international institutions. Individual states could not manage the problem efficiently being separated.

In this case, like in many others, it becomes clear, that the state is, to a certain extent, compelled to pass on some of its national competences up to a regional or international level. It is an objective necessity. Global issues can not be treated efficiently by individual nation-states.

With this regard the view of the analysts from the London School of Economic and Political Studies could be shared. As N. Bayne and S. Woolcock wrote in their book on economic diplomacy, the governance systems require national governments to share part of their sovereignty, but the penetration of international capital into the national economy would question the national sovereignty anyway (Bayne, Woolcock 2003).

The more the nation states are prepared to share their competences with the international institutions, the more efficient the system of global governance will be. The more interdependent and fragile the sectors of economic activity are (like environment protection, fishing quotas, atomic energy security, etc.), the more the need for a transfer of competences is felt. The EU countries have realized earlier, than in the rest of the world, the necessity for an increased transfer of competences at the level of common institutions. This assured a better progress in common policies. In this sense, the EU probably shows the way ahead of time for the rest of global governance institutions.

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Chapter 16

EU as a G8 Member.

Priorities, Functions, Values

Marina Larionova, Mark Rakhmangulov

Introduction

The study aimed to analyze the EU contribution towards defining the G8 priorities and values as well as implementation within the G8 the main global governance functions: domestic political governance, deliberation, direction setting, decision making, delivery and global governance development.

A specialized data base was formed, comprised of documents of both institutions. The programme allowed to undertake a quantitative and qualitative analysis of the evidence base. The content analysis of the documents focused on priorities, values and commitments shared by the G8 and the EU and specific to each institution, on the basis of search, accounting and comparison of the number of documents, references and symbols and their distribution by priorities and functions in accordance with functional analysis methodology¹.

The Data Base Outline

The data base contains the documents of the EU institutions and the G8 covering the period from 1998 to 2008. The documents' sources used included the G8 Chairmanships' websites, the G8 Research group of the University of Toronto documentation centre (www.g8.utoronto.ca), and other analytical websites. The EU documents were accessed through the Council press releases archive and the European Commission website.

The evidence base contains 1927 documents, most of which (1676) belong to the EU. The G7/G8 set includes 251 so far. The number of the EU documents over the years differs significantly and reflects both the EU processes

¹ The detailed description of the methodology, parameters of analysis and the data base is presented in the paper "Methodology of Researching the EU Role as a Collective Actor of Global Governance Process" presented in the second issue of the International Organizations Research Journal.

pattern, and the intensity of deliberation in the EU on the G8 priorities, the number of the G8 documents conforms to that of the formally adopted summit documents (Table 16.1).

Table 16.1. Number of documents

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Total
EU	73	84	256	122	161	218	165	104	130	107	256	1676
G8	10	9	13	25	27	32	25	29	23	27	31	251
Total	83	93	269	147	188	250	190	133	153	134	287	1927

The EU documents include the minutes of the Council meetings and Conclusions of the relevant Council formations, Presidency Conclusions, Statements and Reports of the High Representative for Common Foreign and Security Policy. A relatively low number of documents of the European Commission is connected with the fact that they prepare the subsequent Decisions of the Council, which were the major source of data. The analysis also included statements and declarations, press releases and communiques on the outcomes of the EU summits with the third countries (Tables 16.2-16.4).

Table 16.2. Number of EU documents by authors

EU Institute	Number
General Affairs and External Relations	622
Presidency of the European Council	433
Economic and Financial Affairs	131
European Council	87
EU and a Third Party Summit Level	63
Environment	58
Transport, Telecommunications and Energy	56
Justice and Home Affairs	53
Employment, Social Policy, Health and Consumer Affairs	52
Education, Youth and Culture	35
Agriculture and Fisheries	29
Competitiveness (Internal Market, Industry and Research)	29
Secretary general / High Representative CFSP	14
EU and a Third Party Ministerial Level	10
European Commission	4

G8 Institute	Number
G8 Leaders	111
G7 Finance Ministers	41
G8 Foreign Ministers	27
G8 Finance Ministers	24
G8 Chairman	9
G8 Environment Ministers	9
G8 Justice and Interior Ministers	7
G8 Labour and Employment Ministers	6
G8 Special Groups	5
G8 Energy Ministers	4
G8 Development Ministers	3
G7 Leaders	3
G7 Chairman	1
G8 Science and Technology Ministers	1

Table 16.4. Number of documents by types

Type	EU	G8	Total
Press-release	572	0	572
Conclusions	472	11	483
Declaration	200	22	222
CFSP statement	213	0	213
Statement	70	105	175
European Council Presidency Conclusions	40	0	40
Report	17	22	39
Communique	17	21	38
Other	17	20	37
Action Plan	4	26	30
Resolution	27	0	27
Chairs Summary	0	16	16
CFSP Report	10	0	10
Common Position	8	0	8
Initiative	0	4	4
Joint Actions	2	2	4

Type	EU	G8	Total
Work programme	3	0	3
Strategy	2	0	2
Charter	0	2	2
Agenda	1	0	1
Agreement	1	0	1

Key Findings

The analysis was carried out on a wide range of indicators and comparative parameters. This paper outlines the findings on the main four blocks of research: the EU contribution towards defining the global agenda priorities, performance of the global governance functions, promotion of shared values, and intensity of engagement with the international organizations.

Given that the number of the EU and the G8 documents significantly differs, to ensure compatibility of the data the analysis operated with relative parameters, such as the percentage of documents, references and symbols related to the priorities, values, functions etc of respective institute.

Priorities

Assessment by priorities was carried out on the basis of comparison of 1) accumulated data by the number of documents, references and symbols over the period of 1998-2008, 2) relative intensity of the discourse on the respective priorities and their place in the G8 and the EU agendas in the period, 3) comparative dynamics of the priorities within the study timeframe.

It would hardly come as a surprise that the absolute discourse intensity and the absolute cumulative parameters for the EU exceed by far those for the G8. This is defined by the specific nature of the institutional processes. The discourse intensity in the EU on priority issues influences their place on the agenda of the international institutions and the G8. More importantly, the analysis of these parameters indicate increasing congruency of their dynamics on most priorities, including, political issues and security, economy and trade, energy, education, science and innovations. The tendency confirms increasing role of the “new issues” in both institutions’ agenda and enhancing impact of the EU on the G8 deliberation on the main global governance priorities (Fig. 16.1, 16.2).

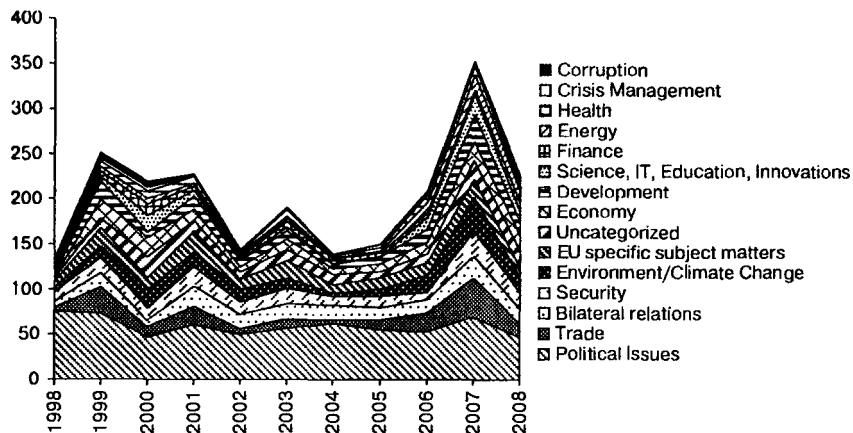


Figure 16.1. Priorities, share of EU documents, %

Sum is more than 100 percent because one document can contain several priorities. See data table in Appendix 2.

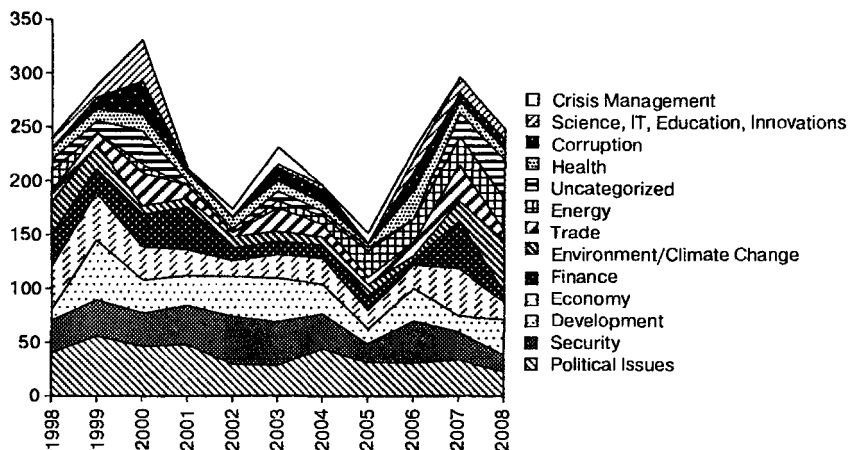


Figure 16.2. Priorities, share of G8 documents, %

Sum is more than 100 percent because one document can contain several priorities. See data table in Appendix 3.

The absolute cumulative data confirm the assumption that intra EU political and institutional transformations influence the correlation of the EU and G8 contributions towards development of global governance processes in major policy spheres. This tendency is especially pronounced in increasing intensity of the EU discourse in finance and monetary policy, security and political issues, energy policy, cooperation in the sphere of education and science, related accordingly to implementation of the third phase of the EMU, strengthening of the institutional foundation within the second pillar², enhancing cooperation in energy³, and education (Table 16.5).

The absolute data make clear that the EU and G8 hierarchies of priorities differ. Whereas political issues and security, finance and environment take up about equal shares in both institutions agendas, development assistance predominance on the G8 agenda is striking, irrespective of the unit of measurement it is inevitably included into the G8 top three (Fig. 16.3, 16.4).

The relative parameters confirm the G8 leading role in the development agenda, though both by the share in the total of documents, references and symbols after the Kananaskis summit a decrease in intensity of G8 deliberation is observed. The slump concurs with parallel increase of its level in the EU. 2005 and 2007 feature approximation of the EU and G8 parameters. However, given the dual Presidencies of the UK and Germany in both institutions in these years, it is hard to attribute the rising tendency solely to the EU leadership role. Nevertheless, it is obvious that the dual Chairmanship allowed for mutual reinforcement of support to Africa priority on both agendas (Fig. 16.5).

² Amsterdam Treaty entering into force, adoption of the Koln Declaration “On Strengthening the Common European Policy on Security and Defense”, adoption of European Security Strategy.

³ Decision No 1254/96/EC of the European Parliament and of the Council of 5 June 1996 laying down a series of guidelines relating to the Trans-European networks in the energy sector (the “Guidelines” Decision) and Article 5 of Council Decision No 391/96/CE of 28 March 1996 determining a set of actions with a view to establishing a more favourable context for the development of the Trans-European networks in the energy sector.

Council Regulation No 736/96 of 22 April 1996 on notifying the Commission of investment projects of interest to the Community in the petroleum, natural gas and electricity sectors, available at: <http://europa.eu/scadplus/leg/en/lvb/127014a.htm>.

Commission Decision 2001/546/EC, of 11 July 2001, setting up a consultative committee to be known as the “European Energy and Transport Forum”, available at: <http://europa.eu/scadplus/leg/en/lvb/127044.htm>.

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² Amsterdam Treaty entering into force, adoption of the Koln Declaration "On Strengthening the Common European Policy on Security and Defense", adoption of European Security Strategy.

³ Decision No 1254/96/EC of the European Parliament and of the Council of 5 June 1996 laying down a series of guidelines relating to the Trans-European networks in the energy sector (the "Guidelines" Decision) and Article 5 of Council Decision No 391/96/CE of 28 March 1996 determining a set of actions with a view to establishing a more favourable context for the development of the Trans-European networks in the energy sector.

Council Regulation No 736/96 of 22 April 1996 on notifying the Commission of investment projects of interest to the Community in the petroleum, natural gas and electricity sectors, available at: <http://europa.eu/scadplus/leg/en/lvb/l27014a.htm>.

Commission Decision 2001/546/EC, of 11 July 2001, setting up a consultative committee to be known as the "European Energy and Transport Forum", available at: <http://europa.eu/scadplus/leg/cn/lvb/l27044.htm>.

Table 16.5. Priorities, number of documents cumulative increase annual change, %

Priority	Institute	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Average annual change
Political Issues	EU	110.71	101.69	31.09	25.64	31.38	19.81	9.24	10.09	9.97	14.71	36.43
	G8	125.00	66.67	80.00	29.63	25.71	25.00	16.36	10.94	12.68	8.75	40.07
Security	EU	175.00	159.09	45.61	26.51	34.29	11.35	8.28	5.88	16.67	21.90	50.46
	G8	100.00	66.67	90.00	63.16	41.94	18.18	9.62	15.79	10.61	6.85	42.28
Environment/ Climate Change	EU	366.67	371.43	30.30	26.74	22.94	4.48	5.71	16.89	23.12	20.66	88.89
	G8	66.67	20.00	33.33	37.50	27.27	14.29	18.75	5.26	25.00	60.00	30.81
Other	EU	300.00	500.00	19.44	15.12	27.27	15.08	4.83	8.55	13.33	26.20	92.98
	G8	100.00	200.00	16.67	14.29	37.50	9.09	8.33	0.00	46.15	57.89	48.99
Trade	EU	800.00	107.41	44.64	12.35	25.27	6.14	9.92	21.05	28.57	19.32	107.47
	G8	100.00	200.00	50.00	11.11	70.00	17.65	10.00	13.64	36.00	8.82	51.72
Economy	EU	1700.00	305.56	20.55	10.23	26.80	8.13	6.77	11.97	13.84	23.76	212.76
	G8	100.00	50.00	50.00	22.22	31.82	20.69	14.29	12.50	26.67	8.77	33.70
Development	EU	600.00	71.43	50.00	22.22	30.30	9.30	8.51	18.63	26.45	23.53	86.04
	G8	500.00	66.67	70.00	58.82	48.15	17.50	8.51	13.73	6.90	16.13	80.64
Science, IT, Education, Innovations	EU	200.00	783.33	15.09	3.28	14.29	1.39	1.37	22.97	26.37	26.96	109.51
	G8	100.00	250.00	0.00	0.00	14.29	12.50	0.00	33.33	33.33	18.75	46.22
Finance	EU	166.67	412.50	14.63	8.51	27.45	13.85	5.41	7.69	5.95	30.34	69.30
	G8	66.67	80.00	111.11	15.79	18.18	11.54	13.79	3.03	35.29	6.52	36.19
Health	EU	166.67	275.00	30.00	7.69	9.52	8.70	8.00	20.37	16.92	17.11	56.00
	G8	100.00	100.00	50.00	50.00	33.33	16.67	7.14	40.00	14.29	12.50	42.39
Energy	EU	N/A	400.00	20.00	16.67	28.57	5.56	5.26	37.50	32.73	45.21	65.72
	G8	0.00	50.00	0.00	0.00	66.67	40.00	100.00	35.71	36.84	34.62	36.38
Crisis Management	EU	150.00	220.00	6.25	23.53	76.19	2.70	10.53	7.14	8.89	18.37	52.36
	G8	N/A	N/A	N/A	N/A	250.00	0.00	42.86	20.00	0.00	0.00	52.14
Corruption	EU	500.00	266.67	9.09	8.33	19.23	6.45	0.00	9.09	2.78	56.76	87.84
	G8	N/A	400.00	20.00	0.00	66.67	30.00	0.00	30.77	11.76	15.79	63.89

N/A – priority wasn't mentioned previous year.

See number of mentions cumulative increase annual change in Appendix 4.

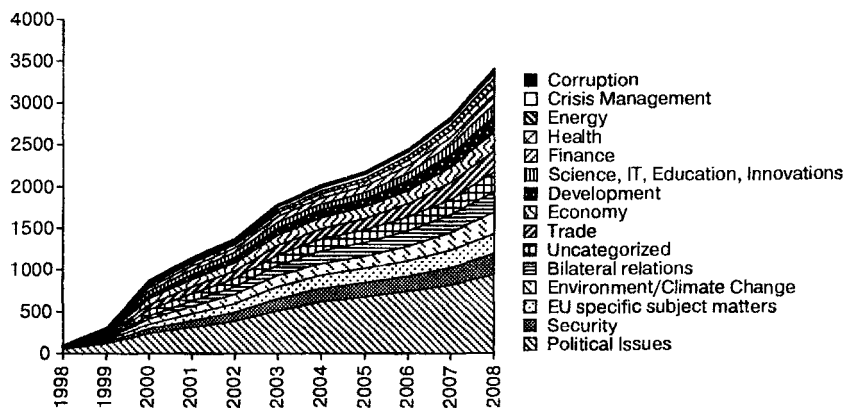


Figure 16.3. Priorities, number of EU documents cumulative increase

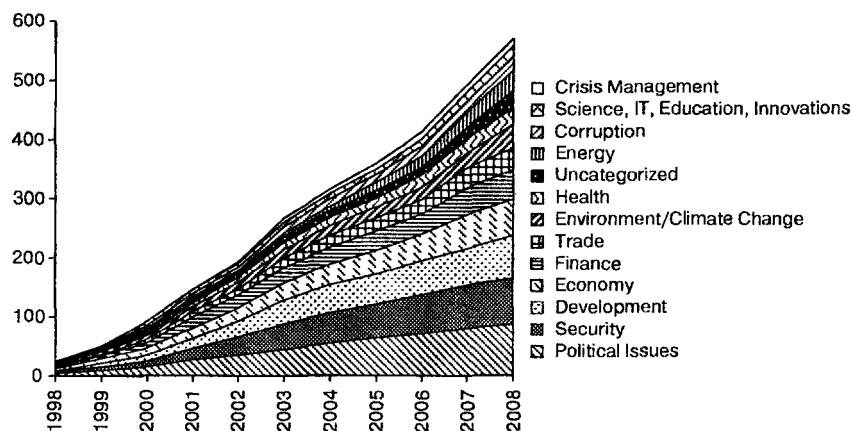


Figure 16.4. Priorities, number of G8 documents cumulative increase

The estimates indicate to a leading role of the G8 on global economy and finance, however, after the establishment of the EMU and launch of the Lisbon Strategy there is a clear trend towards convergence of parameters on both priorities (Fig. 16.6). Simultaneously the EU predominates in the discourse on trade policy (Fig. 16.7).

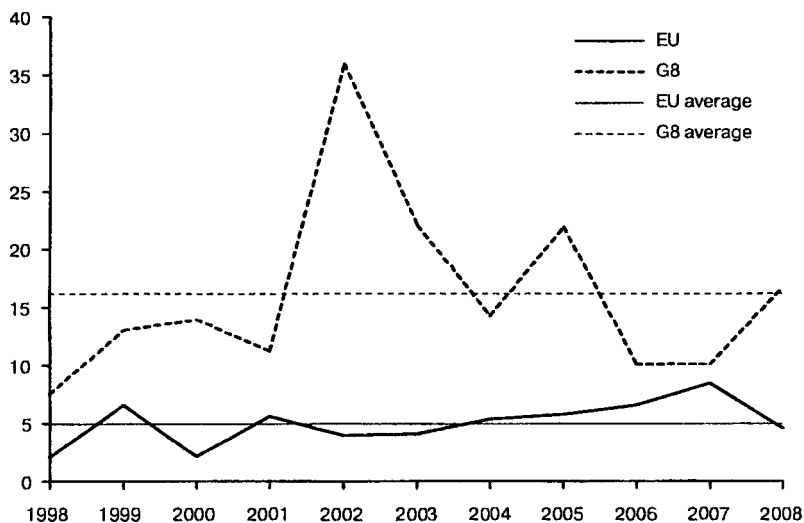


Figure 16.5. Development, share of mentions, %

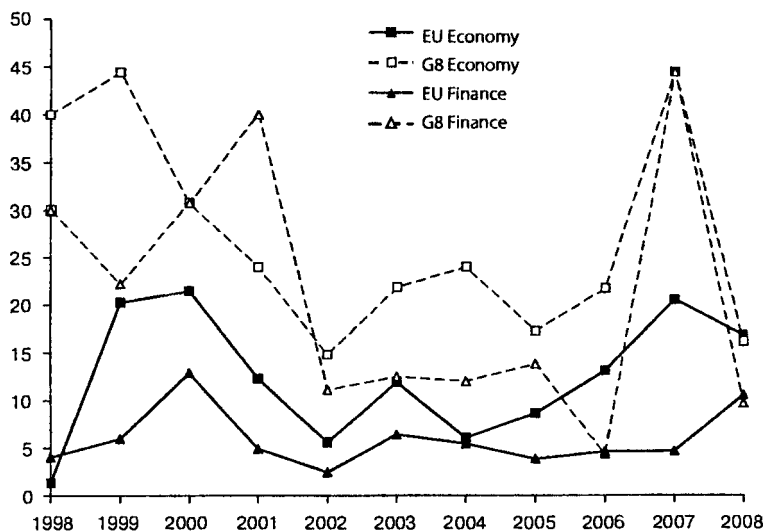


Figure 16.6. Priorities, share of documents, %

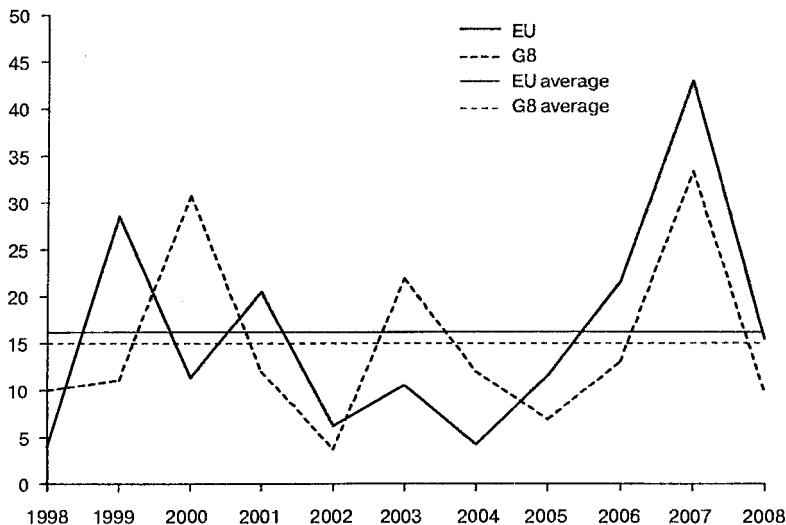


Figure 16.7. Trade, share of documents, %

In energy and climate protection a consistent trend for strengthening the EU agenda is observed, though the G8 still dominates on average parameters of these priorities share in the total of the documents, references, and symbols. Having said that, the EU leads by intensity of dynamics on these issues which can be attributed to the UK and Germany dual Presidencies, both of which included the issues of energy efficiency and environment into their G8 agendas, as well as the general prominence these problems gain in the intra EU cooperation and for the EU external dialogue (Fig. 16.8).

Though the issues of political agenda feature high in the EU documents included into the research, the average intensity of deliberation on the security, anti-crisis and anti-corruption problems in the G8 agenda is much higher. However, there is a clear trend for convergence on the degree of the discourse intensity (Fig. 16.9).

The congruency of the discourse intensity, with the G8 leadership maintained, is most obvious in the dialogue on education, science and innovation, and health, with the exception of the 2006 G8 peak, explained by putting of both education and health priorities on the G8 agenda by Russia as Chair. (Fig. 16.10).

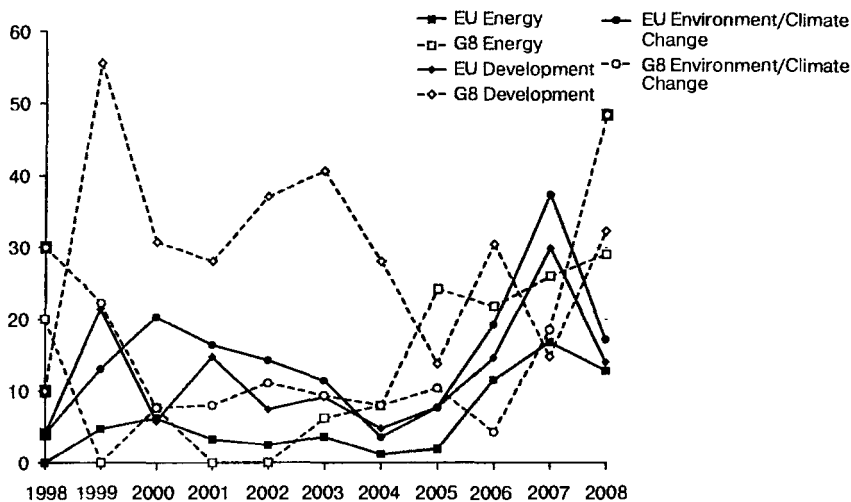


Figure 16.8. Priorities, share of documents, %

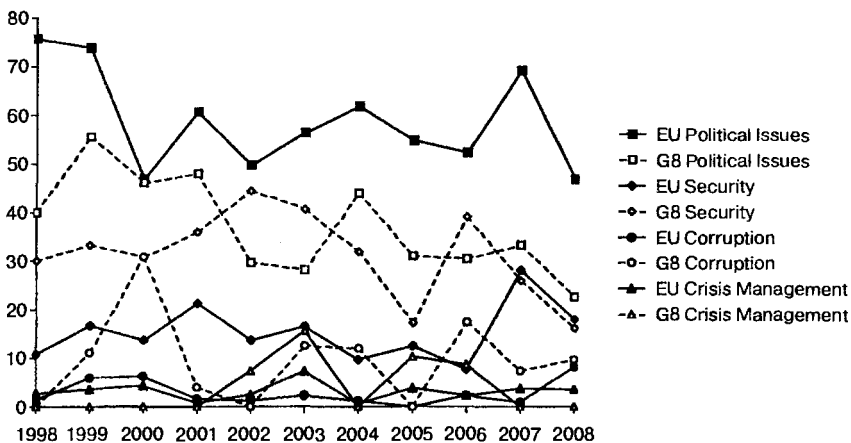


Figure 16.9. Priorities, share of documents, %

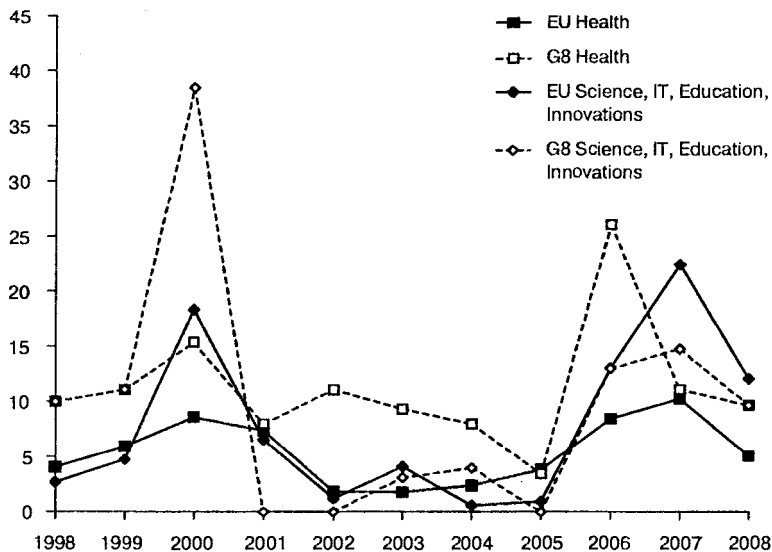


Figure 16.10. Priorities, share of documents, %

By relative balance in discourse intensity on global public goods a general positive dynamics is registered for the spheres of development, environment, trade, anti-corruption, as well as education and science (Table 16.6).

Functions

Comparative assessment by functions was carried out on the basis of 1) comparing absolute cumulative data by the number of documents, references, and symbols, reflecting performance of respective functions by each institution, 2) assessment of EU contribution towards the G8 performance of global governance functions, 3) dynamics of the institutions participation in these functions implementation.

The deliberation function dominates in both institutions by absolute data and the share in the total of the discourse. Rapid positive dynamics is traceable for all functions. In both institutions the highest average growth is registered for the period of 1998 to 2000, with subsequent stabilization at approximately even levels of increase. For the EU the highest dynamics is observed on the functions of global governance development, direction setting, deliberation and delivery. Dynamics of the G8 average on the first two functions are lower than that of the EU, though the averages for the period are higher (Tables 16.7, 16.8).

Table 16.6. Priorities, share of mentions annual change, %

Priority	Institute	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Average annual change
Political Issues	EU	-3.78	-20.71	18.25	4.4	-5.84	13.63	-1.31	-18.58	-0.17	-9.94	-2.41
	G8	27.95	-27.49	-2.21	3.87	-2.19	16.42	-10.04	-9.81	4.97	-6.95	-0.55
Economy	EU	2.16	4.51	-7.02	-0.24	5.42	-7.11	1.2	0.23	1.14	4.52	0.48
	G8	4.18	-5.76	7.58	-10.22	3.51	-2.98	0.07	-6.22	12.11	-5.38	-0.31
Environment/Climate Change	EU	-3.54	6.06	-5.56	4.14	-4.2	-2.87	1.45	4.36	2.21	-0.53	0.15
	G8	-5.52	-2.89	12.32	-11.86	5.45	-5.65	0.94	2.07	-0.23	13.91	0.85
Security	EU	-0.5	0.48	1.11	-0.71	-1.05	-0.82	0.39	-2.4	2.54	2.04	0.11
	G8	0.14	1.76	7.01	4.53	-7.34	0.94	-5.85	3.82	-4.12	-1.67	0.08
Development	EU	4.54	-4.46	3.49	-1.65	0.12	1.3	0.39	0.78	1.87	-3.85	0.25
	G8	5.49	0.91	-2.69	24.7	-13.9	-7.77	7.63	-11.81	0.01	6.6	0.92
Trade	EU	4.75	-2.95	2.71	-3.29	1.07	-2.47	2.21	5.67	-1.45	-4.19	0.21
	G8	1.01	1.17	-1.42	-1.53	4.03	-0.39	0.72	-2.11	6.15	-7.43	0.02
Other	EU	2.09	5.86	-7.64	-0.24	0.59	1.84	-3.22	0.67	-0.23	3.03	0.28
	G8	-0.87	0.59	-2.83	0.46	1.09	-0.62	-0.22	-1.37	4.76	0.12	0.11
Science, IT, Education, Innovations	EU	-0.53	6.61	-5.74	-1.25	0.78	-0.98	0.07	4.76	0.05	1.8	0.56
	G8	-0.44	15.99	-17.44	0	1.47	0.12	-1.59	10.67	-7.69	0.5	0.16
Finance	EU	-1.48	3.02	-3.36	1.41	-0.23	0.58	-1.33	0.54	-0.99	4.43	0.26
	G8	-6.53	8.15	3.52	-8.95	-1.94	4.26	-2.46	-4.92	15.51	-14.33	-0.77
Energy	EU	1.49	0.66	-1.52	0.54	0.58	-1.21	0.14	3.99	-1.1	2.44	0.60
	G8	26.42	0.58	-0.58	0	2.94	0.23	6.42	5.02	-9.25	12.06	-0.90
Health	EU	-0.15	1.52	-1.72	-1.02	-0.2	1.12	-0.25	1.39	-1.17	-0.09	-0.06
	G8	-0.44	3.78	-1.26	-0.6	1.78	-1.98	5.05	13.69	-18.34	2.35	0.40
Crisis Management	EU	-0.74	0.22	-0.55	0.63	1.55	-1.41	1.65	-1.46	-0.35	-0.07	-0.05
	G8	0	0	0	2.25	2.16	-4.41	4.11	-2.99	-1.12	0	0.00
Corruption	EU	0.38	2.3	-3.06	0.16	0.15	-0.08	-0.54	0.64	-0.51	2.78	0.22
	G8	1.45	3.2	-2	-2.65	2.94	1.82	-4.76	3.93	-2.74	0.2	0.14

**Table 16.7. Functions, number of EU mentions cumulative increase (1)
and annual change, % (2)**

Function		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Average annual change
Deliberation	(1)	218	1807	3749	5303	6075	7477	7838	8090	9563	11260	12769	
	(2)		728.90	107.47	41.45	14.56	23.08	4.83	3.22	18.21	17.75	13.40	97.29
Direction setting	(1)	147	1438	2153	3247	3295	3401	3608	3746	4520	5992	7116	
	(2)		878.23	49.72	50.81	1.48	3.22	6.09	3.82	20.66	32.57	18.76	106.54
Decision-making	(1)	215	909	1742	2341	3323	4849	5067	5246	5874	6771	7788	
	(2)		322.79	91.64	34.39	41.95	45.92	4.50	3.53	11.97	15.27	15.02	58.70
Delivery	(1)	18	130	255	394	546	839	946	1101	1304	1503	1679	
	(2)		622.22	96.15	54.51	38.58	53.66	12.75	16.38	18.44	15.26	11.71	93.97
Global governance development	(1)	1	19	89	100	316	535	555	586	597	622	761	
	(2)		1800.00	368.42	12.36	216.00	69.30	3.74	5.59	1.88	4.19	22.35	250.38
Community political management	(1)	3	4	5	10	18	23	30	43	45	47	47	
	(2)		33.33	25.00	100.00	80.00	27.78	30.43	43.33	4.65	4.44	0.00	34.90

Table 16.8. Functions, number of G8 mentions cumulative increase (1)
and annual change, % (2)

		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Average annual change
Deliberation	(1)	93	339	576	876	1054	1274	1386	1468	1827	2338	2625	
	(2)		264.52	69.91	52.08	20.32	20.87	8.79	5.92	24.46	27.97	12.28	50.71
Direction setting	(1)	34	282	366	606	625	641	739	830	1038	1433	1811	
	(2)		729.41	29.79	65.57	3.14	2.56	15.29	12.31	25.06	38.05	26.38	94.76
Decision-making	(1)	96	144	327	426	691	1005	1204	1350	1575	1845	2188	
	(2)		50.00	127.08	30.28	62.21	45.44	19.80	12.13	16.67	17.14	18.59	39.93
Delivery	(1)	3	3	5	9	62	131	141	144	163	183	194	
	(2)		0.00	66.67	80.00	588.89	111.29	7.63	2.13	13.19	12.27	6.01	88.81
Global governance development	(1)	14	34	149	208	267	345	352	362	398	422	520	
	(2)		142.86	338.24	39.60	28.37	29.21	2.03	2.84	9.94	6.03	23.22	62.23
Community political management	(1)	3	3	8	8	9	12	12	15	15	15	17	
	(2)		0.00	166.67	0.00	12.50	33.33	0.00	25.00	0.00	0.00	13.33	25.08

The EU outperforms the G8 by the average by the period on the functions of deliberation and delivery, whereas on direction setting there is a pronounced convergence of dynamics (Fig. 16.11–16.13).

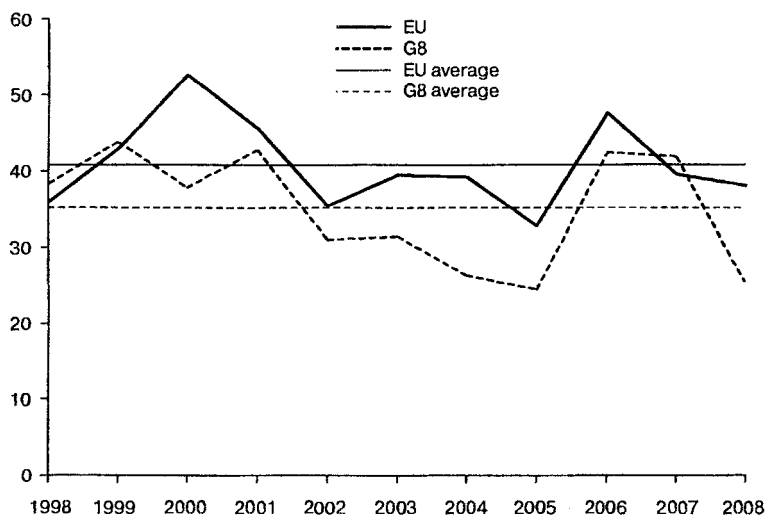


Figure 16.11. Deliberation, share of mentions, %

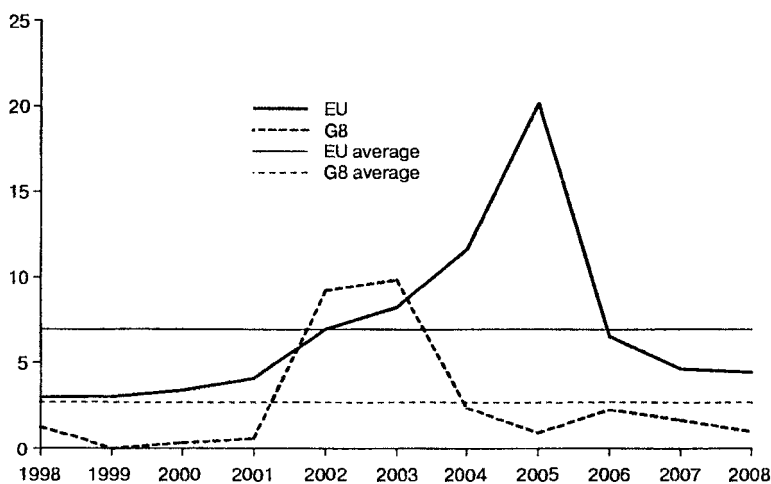


Figure 16.12. Delivery, share of mentions, %

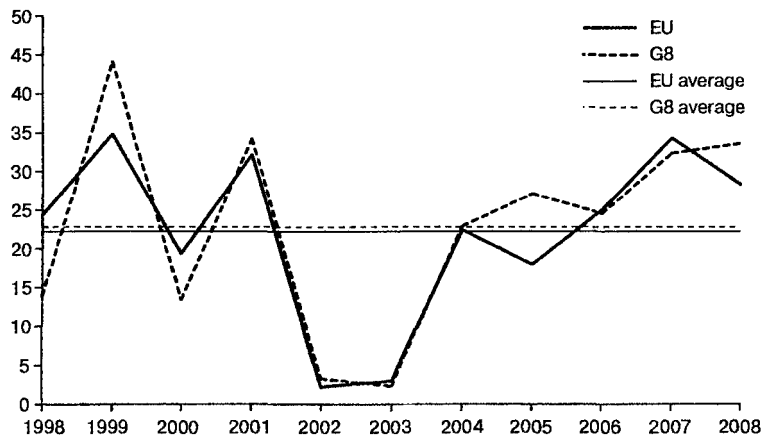


Figure 16.13. Direction setting, share of mentions, %

Convergence of the parameters is also observed in decision making and global governance development (Fig. 16.14, 16.15).

The data received in the study do not confirm a wide scope of the multi-lateral institutions effective use for domestic (community) political governance. The share of this function is low in both institutions, though the dynamics confirm added value for the country in Presidency in both the EU and G8 (Fig. 16.16).

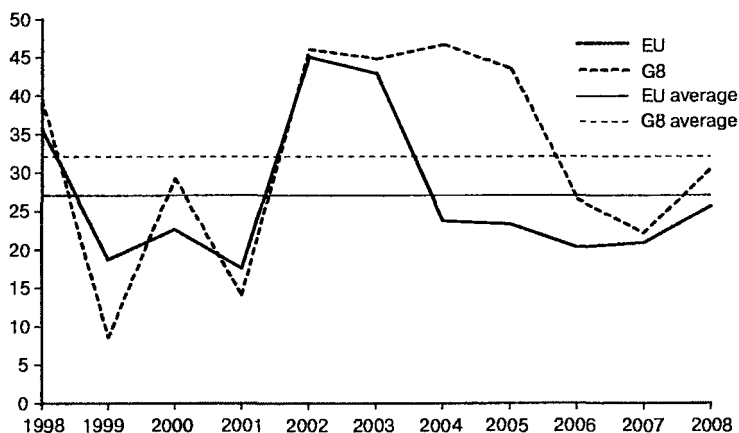


Figure 16.14. Decision-making, share of mentions, %

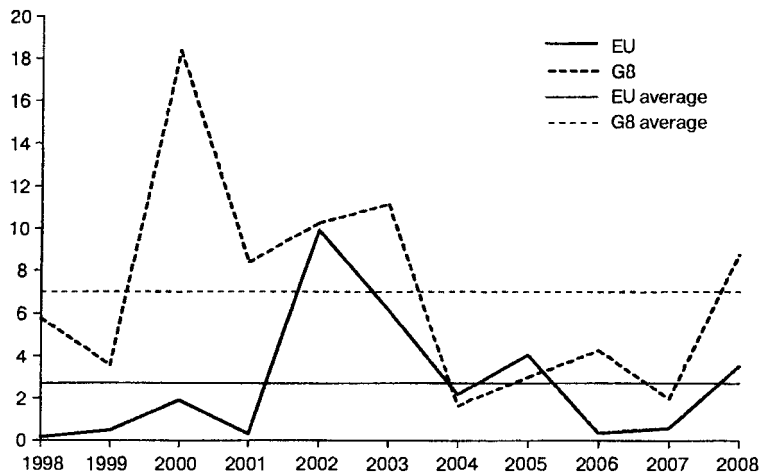


Figure 16.15. Global governance development, share of mentions, %

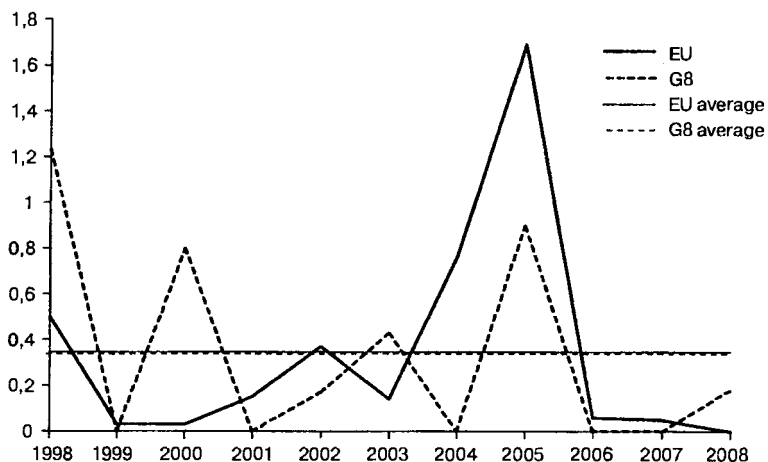


Figure 16.16. Community political management, share of mentions, %

Thus, to sum up so far, the EU contribution towards all global governance functions has been increasing. The EU is leading on the intensity of the discourse and degree of delivery, influencing consensus building and commitments compliance performance. In the study period a trend for increasing the EU impact on direction setting and global governance development is observed. The direction setting function dynamics supports the argument for dual Presidencies extra clout: 1998 – the UK, 1999 – Germany, 2005 – the UK, 2007 – Germany (Tables 16.9, 16.10).

Considering the EU contribution towards the global governance functions performance by priority spheres, it should be noted that, in the sphere of economy for the EU both the intensity of deliberation and the degree of decision making are much higher (Fig. 16.17, 16.18).

In finance the deliberation intensity and the level of direction setting for both institutions are about even, but the level of decision making in the EU is significantly higher (Fig. 16.19, 16.20).

On trade policy the levels of decision making approximate, though the intensity of discourse on international trade in the EU is higher (Fig. 16.21, 16.22).

On aid to development performance indicators of both institutions are about equal, except on the global governance development function, where the G8 is more pro active in conformity with the forum mission (Fig. 16.23, 16.24).

On political and security agenda the contribution of both institutions towards the function of direction setting is assessed as about equal, with a higher degree of the discourse intensity in the EU, the G8 leading on the decision making and global governance development functions, and the EU outperforming on the average level of delivery by almost 3 percent (Fig. 16.25–16.28).

In the sphere of environment with a very diverse picture from year to year, on average parameters the institutions contribution can be assessed as about equal on the deliberation, direction setting, decision making and global governance development. This can partially be attributed to systemic inclusion of the EU member states, chairing the G8, the climate protection issues into the G8 agendas, which is confirmed by approximation of global governance functions parameters for both institutes in these years (Fig. 16.29, 16.30).

Table 16.9. Functions, share of EU documents, % (1) and annual change, percentage point (2)

Function		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Average	Average annual change
Deliberation	(1)	97.26	91.67	95.31	90.08	90	97.25	98.91	98.28	97.69	100	96.48	95.72	-0.08
	(2)		-5.59	3.64	-5.23	-0.08	7.25	1.66	-0.63	-0.59	2.31	-3.52		
Direction setting	(1)	80.82	90.48	76.56	83.47	19.38	26.61	67.39	68.97	83.08	91.59	94.14	71.14	1.33
	(2)		9.66	-13.92	6.91	-64.09	7.23	40.78	1.58	14.11	8.51	2.55		
Decision-making	(1)	61.64	82.14	66.41	59.5	93.13	94.04	60.87	74.14	72.31	83.18	80.08	75.22	1.84
	(2)		20.5	-15.73	-6.91	33.63	0.91	-33.17	13.27	-1.83	10.87	-3.10		
Delivery	(1)	16.44	10.71	7.81	9.92	13.75	30.28	9.78	8.62	13.08	15.89	12.11	13.49	-0.43
	(2)		-5.73	-2.9	2.11	3.83	16.53	-20.5	-1.16	4.46	2.81	-3.78		
Global governance development	(1)	1.37	7.14	10.55	4.13	56.88	43.58	3.26	22.41	1.54	8.41	29.3	17.14	2.79
	(2)		5.77	3.41	-6.42	52.75	-13.3	-40.32	19.15	-20.87	6.87	20.89		
Community political management	(1)	4.11	1.19	0.39	1.65	1.25	1.83	4.35	6.9	1.54	1.87	0	2.28	-0.41
	(2)		-2.92	-0.8	1.26	-0.4	0.58	2.52	2.55	-5.36	0.33	-1.87		

Sum is more than 100 percent because one document can contain several functions.

See mentions table in Appendix 5.

Table 16.10. Functions, share of G8 documents, % (1) and annual change, percentage point (2)

Function		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Average	Average annual change
Deliberation	(1)	100	100	100	100	100	93,75	100	96,55	100	100	93,55	98,53	
	(2)		0	0	0	0	-6,25	6,25	-3,45	3,45	0	-6,45		-0,65
Direction setting	(1)	70	88,89	84,62	68	37,04	37,5	70,83	82,76	86,96	96,15	93,55	74,21	
	(2)		18,89	-4,27	-16,62	-30,96	0,46	33,33	11,93	4,2	9,19	-2,6		2,36
Decision-making	(1)	100	77,78	84,62	68	96,3	100	95,83	68,97	95,65	92,31	100	89,04	
	(2)		-22,22	6,84	-16,62	28,3	3,7	-4,17	-26,86	26,68	-3,34	7,69		0,00
Delivery	(1)	30	0	15,38	12	59,26	59,38	25	10,34	21,74	19,23	12,9	24,11	
	(2)		-30	15,38	-3,38	47,26	0,12	-34,38	-14,66	11,4	-2,51	-6,33		-1,71
Global governance development	(1)	50	44,44	69,23	44	70,37	65,63	25	17,24	56,52	26,92	58,06	47,95	
	(2)		-5,56	24,79	-25,23	26,37	-4,74	-40,63	-7,76	39,28	-29,6	31,14		0,81
Community political management	(1)	30	0	23,08	0	3,7	9,38	0	10,34	0	0	6,45	7,54	
	(2)		-30	23,08	-23,08	3,7	5,68	-9,38	10,34	-10,34	0	6,45		-2,36

Sum is more than 100 percent because one document can contain several functions.

See mentions table in Appendix 6.

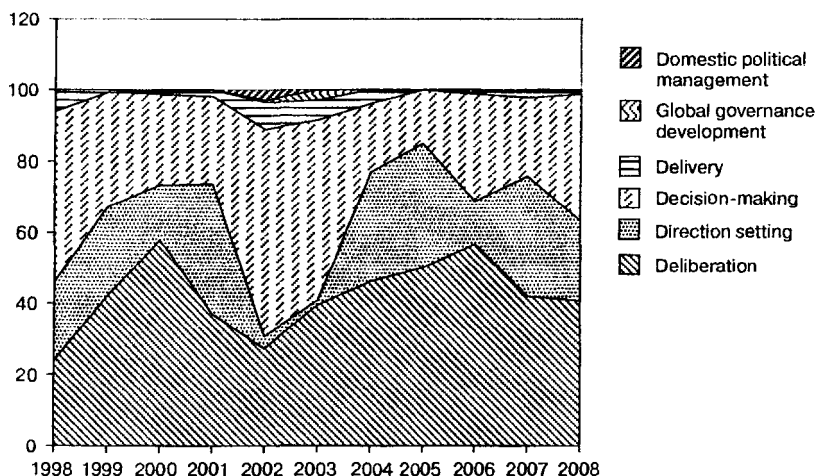


Figure 16.17. Economy by functions, share of EU mentions, %

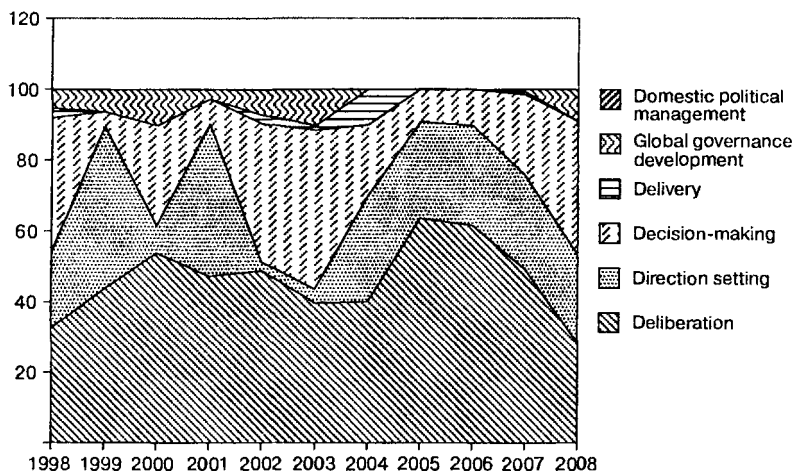


Figure 16.18. Economy by functions, share of G8 mentions, %

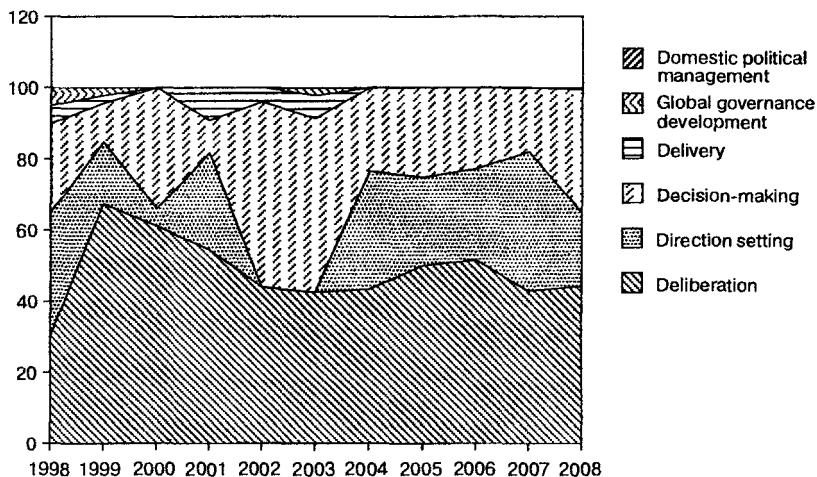


Figure 16.19. Finance by functions, share of EU mentions, %

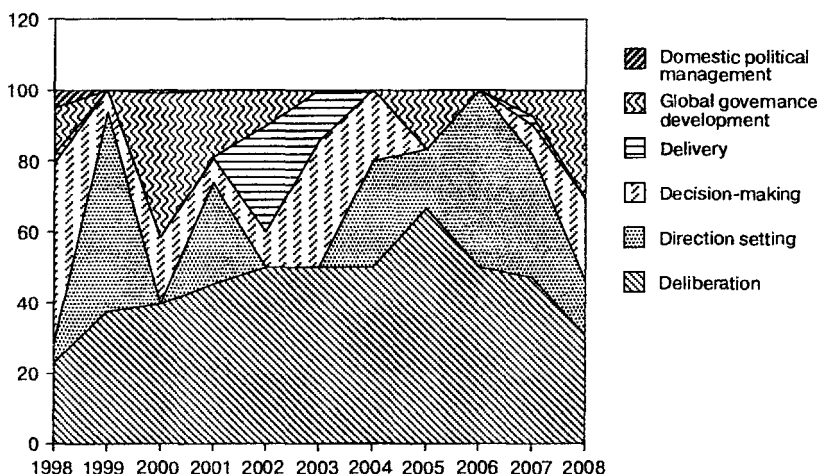


Figure 16.20. Finance by functions, share of G8 mentions, %

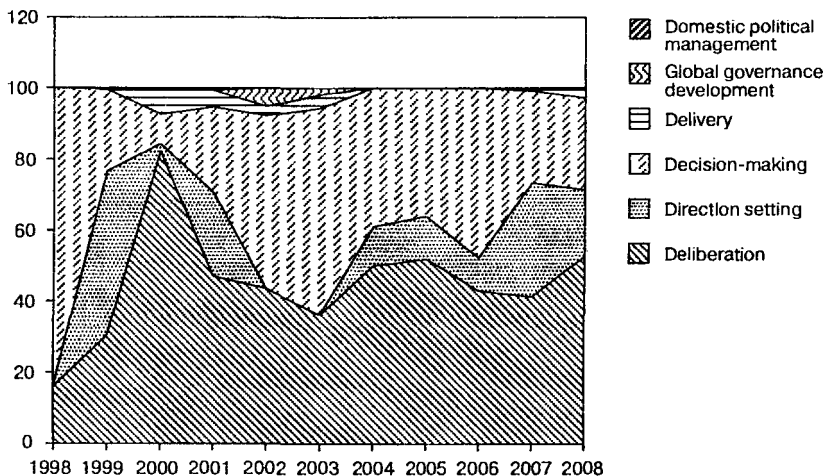


Figure 16.21. Trade by functions, share of EU mentions, %

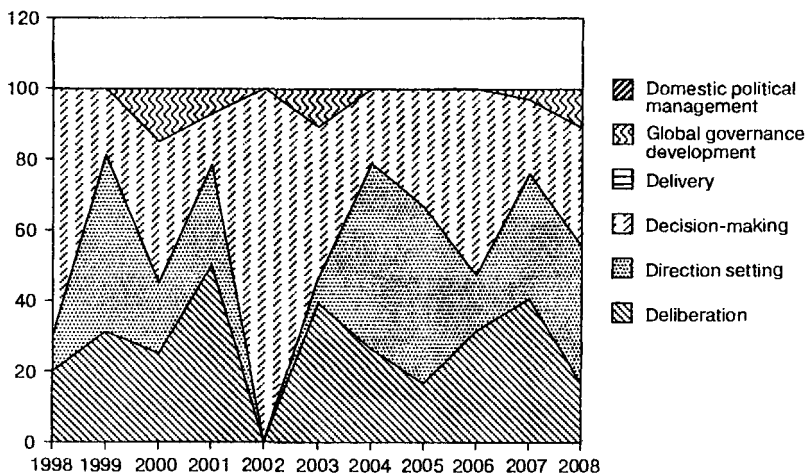


Figure 16.22. Trade by functions, share of G8 mentions, %

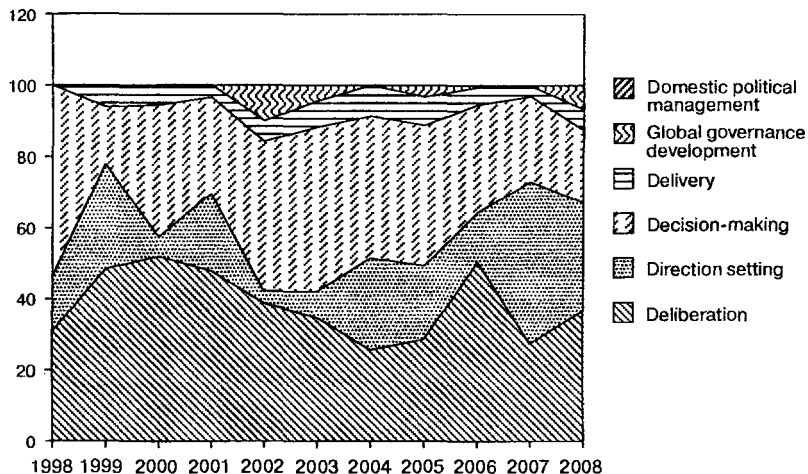


Figure 16.23. Development by functions, share of EU mentions, %

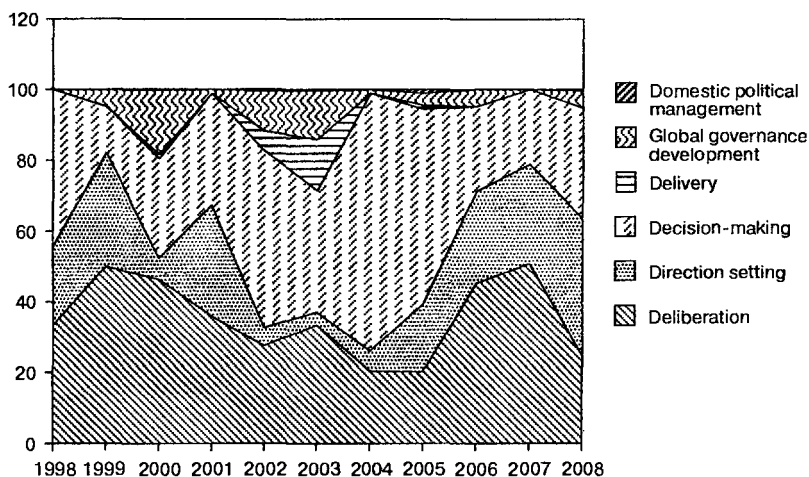


Figure 16.24. Development by functions, share of G8 mentions, %

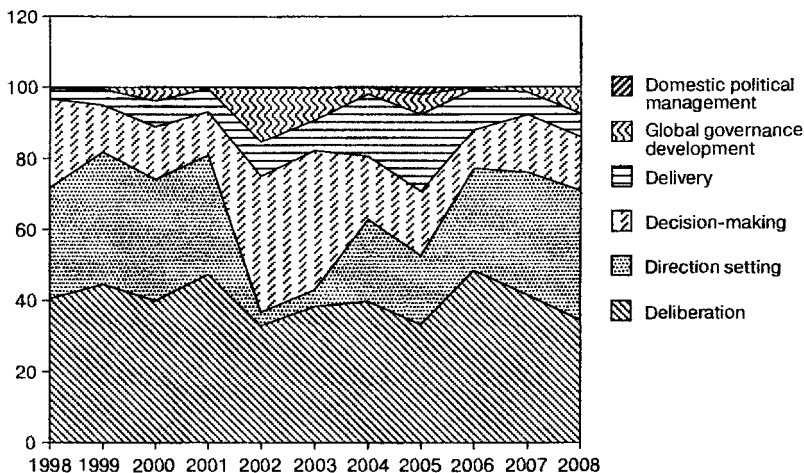


Figure 16.25. Political Issues by functions, share of EU mentions, %

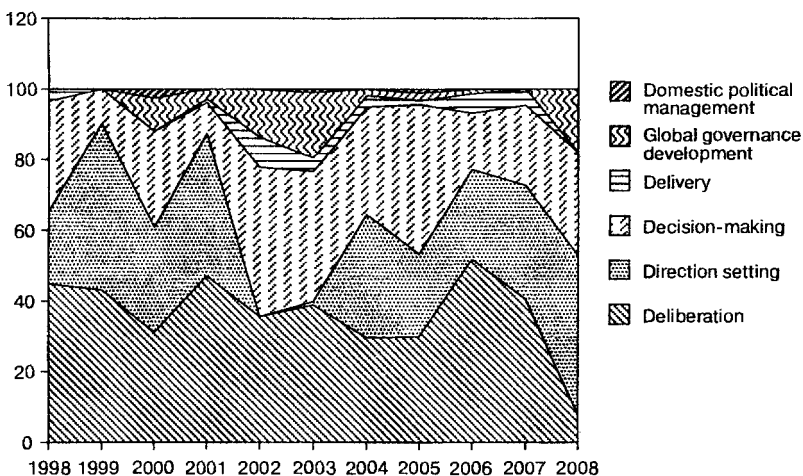


Figure 16.26. Political Issues by functions, share of G8 mentions, %

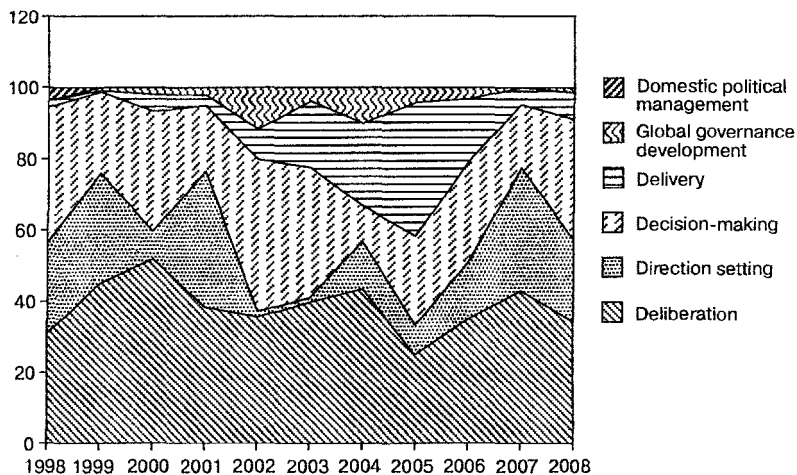


Figure 16.27. Security by functions, share of EU mentions, %

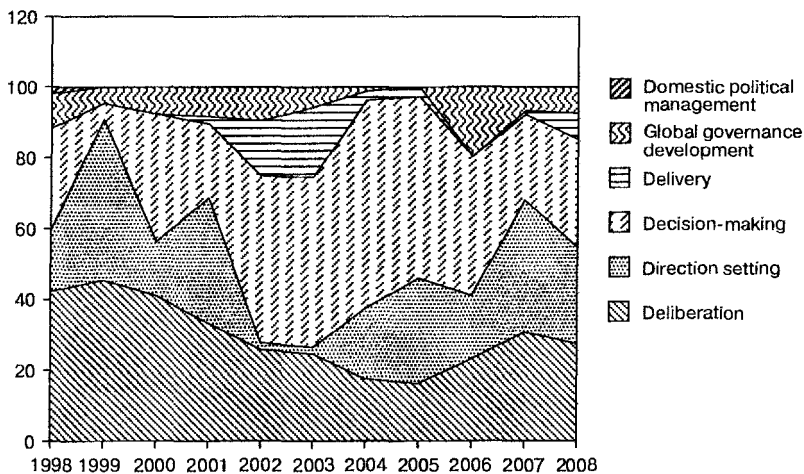


Figure 16.28. Security by functions, share of G8 mentions, %

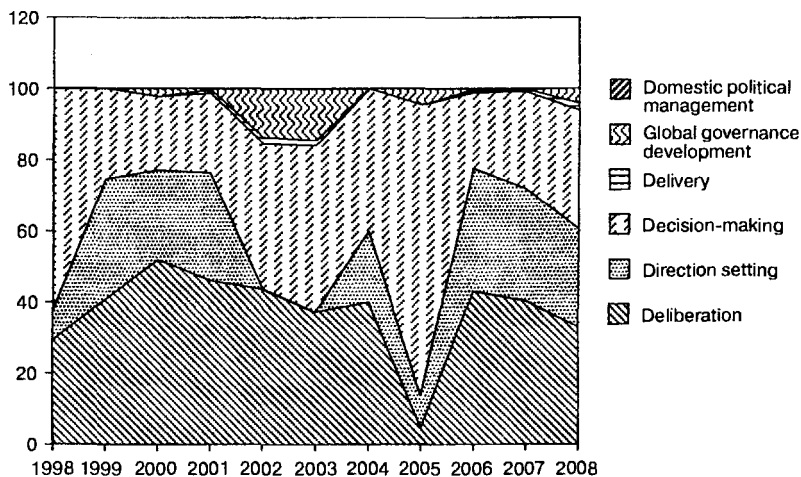


Figure 16.29. Environment/Climate Change by functions, share of EU mentions, %

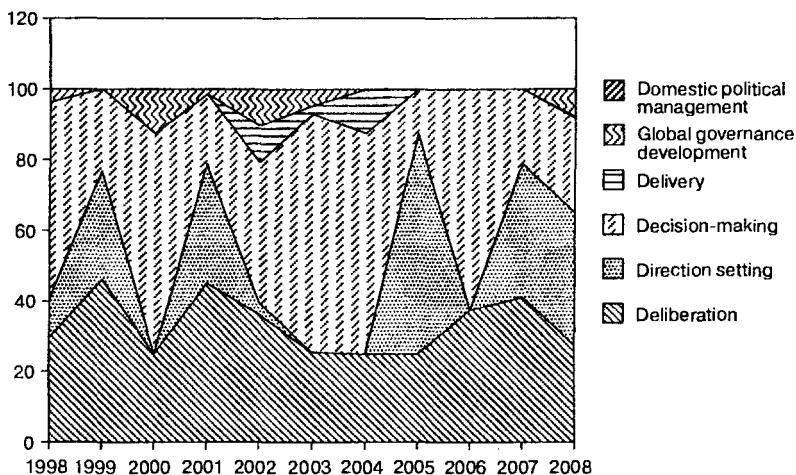


Figure 16.30. Environment/Climate Change by functions, share of G8 mentions, %

Values

In analysis of the direction setting function special attention was focused on comparison of the discourse dynamics on the main G8 values in the institutions' documents. Comparative analysis was based on the 1) absolute cumulative data by the number of documents, references and symbols, 2) relative intensity of deliberation on these values and their place in the values system of the EU and G8, and 3) assessment of their contribution towards promoting the values.

In the study period two processes have been observed: consolidation of the shared values system and its transformation. Peace, democracy, open markets and trade liberalization remain undoubtable pillars for both institutions. Environment, human well being and development gain new prominence in both institutions agendas. In the EU deliberation on free trade and open markets acquires higher significance, with absolute peaks in growth from 1998 to 2000, the period of systemic and institutional changes, with subsequent stabilization in increase (Tables 16.11, 16.12).

Comparative analysis of intensity of dynamics on the values confirms the EU leadership on the priorities of peace, freedom and democracy (Fig. 16.31).

On the values of human well being and development the G8 discourse defines the tendency, on the former the parity of contribution is apparent except for the surge of the 2002 summit in Kananaskis, on the latter, the G8 maintains its leadership, irrespective of the considerable convergence of the parameters for 2005 and 2007 dual Presidencies years (Fig. 16.32).

A very special picture is traced in shaping approaches to climate protection. Though the average parameters approximate, dynamics of the two curves clearly indicate the defining (driving) force of the EU (Fig. 16.33).

The G8 maintains leadership in consolidating the values of free trade, investment and fight against corruption. However, the marked increase of the EU parameters in the 1999 and 2001, convergence of the G8 and EU parameters in 2005 and 2007, and French Chairmanship of the G8 in 2003 do not allow to disentangle the EU contribution from that of the G8, and attribute it definitely to the G8 (Fig. 16.34).

Table 16.11. Values, number of EU mentions cumulative increase (1) and annual change, % (2)

Values		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Sum	Average annual change
Peace	(1)	28	147	252	407	418	445	469	491	545	682	766	4650	
	(2)		425,00	71,43	61,51	2,70	6,46	5,39	4,69	11,00	25,14	12,32		62,56
Others	(1)	41	144	168	269	273	280	328	361	504	674	945	3987	
	(2)		251,22	16,67	60,12	1,49	2,56	17,14	10,06	39,61	33,73	40,21		47,28
Democracy	(1)	7	28	123	157	174	213	234	241	241	241	305	1964	
	(2)		300,00	339,29	27,64	10,83	22,41	9,86	2,99	0,00	0,00	26,56		73,96
Human well-being	(1)	7	56	143	150	153	158	176	186	202	254	365	1850	
	(2)		700,00	155,36	4,90	2,00	3,27	11,39	5,68	8,60	25,74	43,70		96,06
Environment protection	(1)	2	15	85	105	105	105	108	111	135	178	237	1186	
	(2)		650,00	466,67	23,53	0,00	0,00	2,86	2,78	21,62	31,85	33,15		123,25
Development	(1)	3	26	31	59	61	67	80	91	98	132	152	800	
	(2)		766,67	19,23	90,32	3,39	9,84	19,40	13,75	7,69	34,69	15,15		98,01
Free trade	(1)	1	24	35	58	60	62	69	76	83	104	125	697	
	(2)		2300,00	45,83	65,71	3,45	3,33	11,29	10,14	9,21	25,30	20,19		249,45
Anti-corruption	(1)	3	6	22	31	31	31	33	34	38	43	52	324	
	(2)		100,00	266,67	40,91	0,00	0,00	6,45	3,03	11,76	13,16	20,93		46,29
Freedom	(1)	5	5	14	14	18	25	28	29	30	30	40	238	
	(2)		0,00	180,00	0,00	28,57	38,89	12,00	3,57	3,45	0,00	33,33		29,98
Investment	(1)	0	1	2	8	8	9	12	14	14	18	18	104	
	(2)		100,00	100,00	300,00	0,00	12,50	33,33	16,67	0,00	28,57	0,00		59,11

Table 16.12. Values, number of G8 mentions cumulative increase (1) and annual change, % (2)

Values		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Sum	Average annual change
Others	(1)	4	14	21	52	55	58	74	91	126	171	218	884	
	(2)		250,00	50,00	147,62	5,77	5,45	27,59	22,97	38,46	35,71	27,49		61,11
Peace	(1)	4	30	47	69	71	73	79	83	102	136	161	855	
	(2)		650,00	56,67	46,81	2,90	2,82	8,22	5,06	22,89	33,33	18,38		84,71
Development	(1)	2	8	10	14	16	18	28	37	45	58	90	326	
	(2)		300,00	25,00	40,00	14,29	12,50	55,56	32,14	21,62	28,89	55,17		58,52
Human well-being	(1)	1	7	14	18	26	27	29	35	36	47	75	315	
	(2)		600,00	100,00	28,57	44,44	3,85	7,41	20,69	2,86	30,56	59,57		89,79
Environment protection	(1)	1	4	5	18	19	19	19	25	25	31	85	251	
	(2)		300,00	25,00	260,00	5,56	0,00	0,00	31,58	0,00	24,00	174,19		82,03
Free trade	(1)	7	9	11	11	12	16	20	25	30	35	39	215	
	(2)		28,57	22,22	0,00	9,09	33,33	25,00	25,00	20,00	16,67	11,43		19,13
Anti-corruption	(1)	1	2	6	16	16	16	17	19	21	22	26	162	
	(2)		100,00	200,00	166,67	0,00	0,00	6,25	11,76	10,53	4,76	18,18		51,82
Democracy	(1)	3	3	10	10	10	13	16	19	21	21	29	155	
	(2)		0,00	233,33	0,00	0,00	30,00	23,08	18,75	10,53	0,00	38,10		35,38
Investment	(1)	1	1	2	2	3	4	6	9	9	16	20	73	
	(2)		0,00	100,00	0,00	50,00	33,33	50,00	50,00	0,00	77,78	25,00		38,61
Freedom	(1)	0	0	0	1	1	1	4	5	5	5	5	27	
	(2)		0,00	0,00	100,00	0,00	0,00	300,00	25,00	0,00	0,00	0,00		42,50

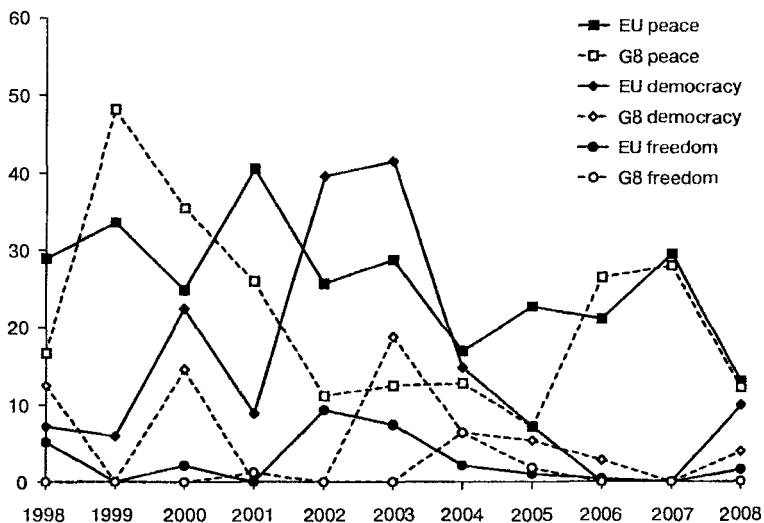


Figure 16.31. Values, share of mentions, %

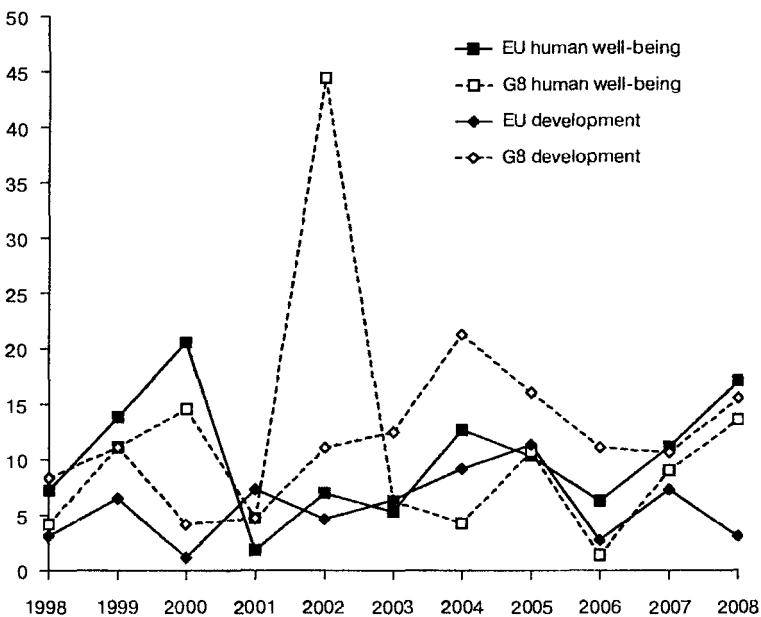


Figure 16.32. Values, share of mentions, %

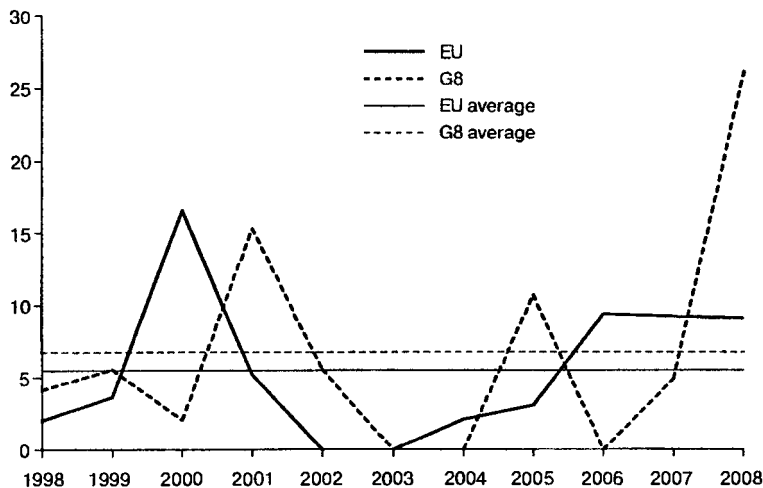


Figure 16.33. Environment protection, share of mentions, %

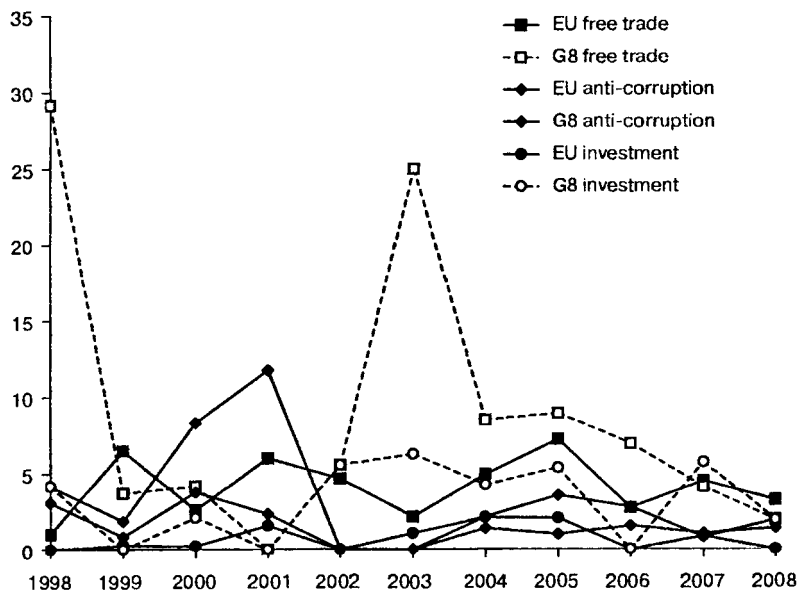


Figure 16.34. Values, share of mentions, %

Engagement with the International Institutions

The number of references to international institutions (IIs) in the EU documents significantly surpasses this parameter for the G8 given the much higher number of the EU documents (Fig. 16.35).

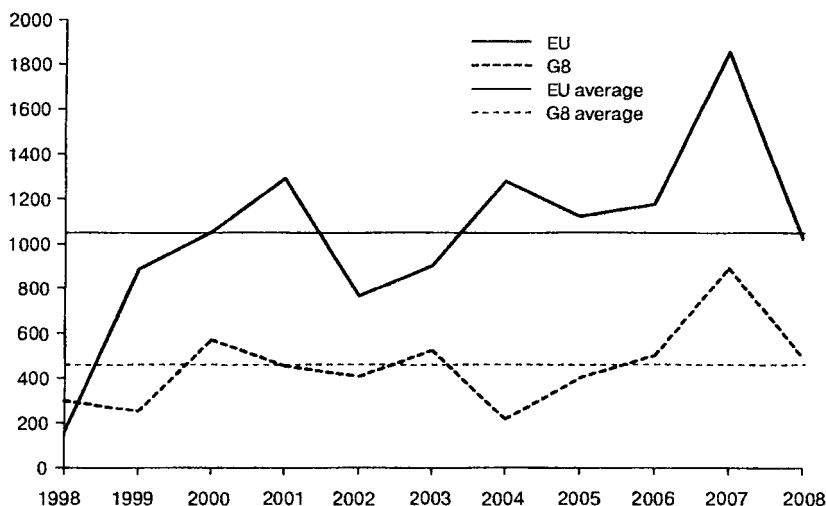


Figure 16.35. International Organisations, share of mentions, %

However, the intensity of references to the International institutions (IIs)⁴ in the G8 documents by far exceeds intensity of the EU. This clearly reflects the G8 reliance on the international mechanisms (IMs) for summit decisions implementation. Intensity of the IIs references in the EU documents remains stable over the study period. In the G8 the 1998 peak is connected with a number of factors: the G8 reform, decisions made on the international financial architecture following the Asian crisis outbreak, decisions adopted on the development, climate change and fight against infections, as well as the Prime Minister Tony Blair's inclusive approach to "global alliance for global values" (Blair 2006). The lowest intensity is observed in the 2004 US Chairmanship of the G8. The fact can probably be attributed to President Bush Administration preference for reliance on own resources and mechanisms, as well

⁴ The relation of the number of references of the international institutions in one year to the number of symbols of the documents issued in the years.

as the tensions between G8 members in the after Iraq war strain which made forging agreement on international mechanisms for performance of commitments more difficult (Fig. 16.36).

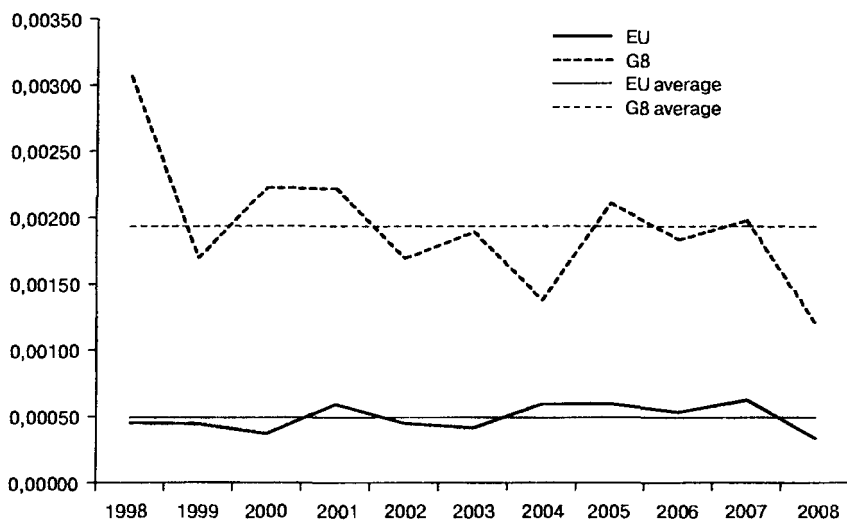


Figure 16.36. International Organisations, intensity of mentions

Conclusion

The analysis presented above allows to draw conclusions, which are the following.

The intensity of the discourse in the EU exerts influence on inclusion of respective priorities into the G8 agenda. The data indicate increasing congruency of the discourse dynamics of both institutions on the main priorities, foremost, political and security issues, economy and trade, energy, and “new issues” of education, science and innovations. However, there are clear differences in the priorities hierarchies of the institutions.

The data received confirm the assumption of the intra EU political and institutional transformations impact on the correlation of the EU and G8 contribution towards shaping the global governance processes in key policy spheres. Thus, though the G8 leads the agenda on economy and finance, after the establishment of the EMU and the launch of the Lisbon Strategy, approximation of parameters on these priorities is observable. The EU predominates

Appendix 3

Table A16.3. Priorities, share of G8 documents, %

Priority	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Average
Political Issues	40	55.56	46.15	48	29.63	28.13	44	31.03	30.43	33.33	22.58	37.17
Security	30	33.33	30.77	36	44.44	40.63	32	17.24	39.13	25.93	16.13	31.42
Development	10	55.56	30.77	28	37.04	40.63	28	13.79	30.43	14.81	32.26	29.21
Economy	40	44.44	30.77	24	14.81	21.88	24	17.24	21.74	44.44	16.13	27.22
Finance	30	22.22	30.77	40	11.11	12.5	12	13.79	4.35	44.44	9.68	20.99
Environment/ Climate Change	30	22.22	7.69	8	11.11	9.38	8	10.34	4.35	18.52	48.39	16.18
Trade	10	11.11	30.77	12	3.7	21.88	12	6.9	13.04	33.33	9.68	14.95
Energy	20	0	7.69	0	0	6.25	8	24.14	21.74	25.93	29.03	12.98
Other	10	11.11	30.77	4	3.7	9.38	4	3.45	0	22.22	35.48	12.19
Health	10	11.11	15.38	8	11.11	9.38	8	3.45	26.09	11.11	9.68	11.21
Corruption	0	11.11	30.77	4	0	12.5	12	0	17.39	7.41	9.68	9.53
Science, IT, Education, Innovations	10	11.11	38.46	0	0	3.13	4	0	13.04	14.81	9.68	9.48
Crisis Management	0	0	0	0	7.41	15.63	0	10.34	8.7	0	0	3.83

Sum is more than 100 percent because one document can contain several priorities.

Appendix 4

Table A16.4. Priorities, number of mentions cumulative increase annual change, %

Priority	Institute	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Average annual change
Political Issues	EU	297.01	113.91	44.82	22.94	30.50	14.60	9.83	9.13	13.38	11.46	56.76
	G8	344.44	75.00	32.86	18.28	20.91	15.79	11.04	14.04	15.90	14.60	56.29
Economy	EU	450.00	386.36	15.42	8.50	30.97	3.42	3.58	5.85	11.06	24.89	94.00
	G8	171.43	105.26	74.36	11.76	22.37	6.45	7.07	5.66	23.21	21.01	44.86
Environment/ Climate Change	EU	172.73	470.00	16.96	18.50	15.19	2.20	3.23	12.15	22.60	24.49	75.80
	G8	66.67	50.00	153.33	7.89	29.27	3.77	5.45	18.97	14.49	72.15	42.20
Security	EU	300.00	240.00	37.50	16.58	22.94	7.46	5.90	5.25	14.02	23.22	67.29
	G8	133.33	185.71	110.00	40.48	27.12	10.67	6.02	21.59	10.28	11.86	55.71
Other	EU	520.00	512.90	12.63	7.01	14.41	8.40	2.82	5.48	7.79	19.88	111.13
	G8	100.00	150.00	10.00	9.09	25.00	6.67	6.25	0.00	47.06	56.00	41.01
Trade	EU	1066.67	154.29	47.19	10.69	24.14	3.89	6.42	23.12	25.71	14.29	137.64
	G8	200.00	233.33	40.00	7.14	46.67	13.64	16.00	20.69	45.71	11.76	63.49
Development	EU	1033.33	88.24	56.25	17.00	28.21	13.33	10.00	16.58	29.36	17.38	130.97
	G8	225.00	184.62	45.95	59.26	34.88	7.76	12.80	12.77	10.69	27.27	62.10

Table A16.4 (continued)

Priority	Institute	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Average annual change
Science, IT, Education, Innovations	EU	200.00	1733.33	10.00	1.65	8.13	0.75	0.75	17.78	24.53	37.37	203.43
	G8	100.00	1500.00	0.00	0.00	6.25	2.94	0.00	54.29	9.26	16.95	168.97
Finance	EU	150.00	600.00	8.57	13.16	19.77	9.71	3.54	7.69	5.56	42.86	86.09
	G8	40.00	271.43	84.62	10.42	9.43	8.62	6.35	1.49	39.71	5.26	47.73
Energy	EU	N/A	428.57	10.81	12.20	30.43	3.33	3.23	34.38	31.40	56.64	67.89
	G8	0.00	7.14	0.00	0.00	26.67	10.53	33.33	92.86	16.67	79.37	26.66
Health	EU	300.00	400.00	18.33	4.23	5.41	7.69	4.76	14.77	11.88	14.16	78.12
	G8	100.00	450.00	54.55	17.65	35.00	7.41	20.69	111.43	8.11	21.25	82.61
Corruption	EU	500.00	783.33	3.77	3.64	8.77	3.23	0.00	4.69	1.49	45.59	135.45
	G8	N/A	800.00	44.44	0.00	30.77	17.65	0.00	35.00	7.41	13.79	105.45
Crisis Management	EU	150.00	240.00	11.76	21.05	86.96	9.30	17.02	10.91	11.48	13.24	57.17
	G8	N/A	N/A	N/A	N/A	300.00	0.00	37.50	18.18	0.00	0.00	59.28

Appendix 5

Table A16.5. Functions, share of EU mentions, % (1) and annual change, percentage point (2)

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Average	Average annual change
Deliberation	36.21	42.89	52.69	45.68	35.45	39.48	39.24	32.81	47.65	39.54	38.06	40.88	
		6.68	9.8	-7.01	-10.23	4.03	-0.24	-6.43	14.84	-8.11	-1.48		0.19
Direction setting	24.42	34.84	19.4	32.16	2.2	2.99	22.5	17.97	25.04	34.3	28.35	22.20	
		10.42	-15.44	12.76	-29.96	0.79	19.51	-4.53	7.07	9.26	-5.95		0.39
Decision-making	35.71	18.73	22.6	17.61	45.09	42.97	23.7	23.31	20.32	20.9	25.65	26.96	
		-16.98	3.87	-4.99	27.48	-2.12	-19.27	-0.39	-2.99	0.58	4.75		-1.01
Delivery	2.99	3.02	3.39	4.09	6.98	8.25	11.63	20.18	6.57	4.64	4.44	6.93	
		0.03	0.37	0.7	2.89	1.27	3.38	8.55	-13.61	-1.93	-0.2		0.15
Global governance development	0.17	0.49	1.9	0.32	9.92	6.17	2.17	4.04	0.36	0.58	3.51	2.69	
		0.32	1.41	-1.58	9.6	-3.75	-4	1.87	-3.68	0.22	2.93		0.33
Community political management	0.5	0.03	0.03	0.15	0.37	0.14	0.76	1.69	0.06	0.05	0	0.34	
		-0.47	0	0.12	0.22	-0.23	0.62	0.93	-1.63	-0.01	-0.05		-0.05

Appendix 6

Table A16.6. Functions, share of G8 mentions, % (1) and annual change, percentage point (2)

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Average	Average annual change
Deliberation	38.27	43.77	37.86	42.74	30.96	31.43	26.29	24.48	42.38	41.89	25.65	35.07	
		5.5	-5.91	4.88	-11.78	0.47	-5.14	-1.81	17.9	-0.49	-16.24		-1.26
Direction setting	13.99	44.13	13.42	34.19	3.3	2.29	23	27.16	24.56	32.38	33.78	22.93	
		30.14	-30.71	20.77	-30.89	-1.01	20.71	4.16	-2.6	7.82	1.4		1.98
Decision-making	39.51	8.54	29.23	14.1	46.09	44.86	46.71	43.58	26.56	22.13	30.65	32.00	
		-30.97	20.69	-15.13	31.99	-1.23	1.85	-3.13	-17.02	-4.43	8.52		-0.89
Delivery	1.23	0	0.32	0.57	9.22	9.86	2.35	0.9	2.24	1.64	0.98	2.66	
		-1.23	0.32	0.25	8.65	0.64	-7.51	-1.45	1.34	-0.6	-0.66		-0.03
Global governance development	5.76	3.56	18.37	8.4	10.26	11.14	1.64	2.99	4.25	1.97	8.76	7.01	
		-2.2	14.81	-9.97	1.86	0.88	-9.5	1.35	1.26	-2.28	6.79		0.30
Community political management	1.23	0	0.8	0	0.17	0.43	0	0.9	0	0	0.18	0.34	
		-1.23	0.8	-0.8	0.17	0.26	-0.43	0.9	-0.9	0	0.18		-0.11

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