

A useless extravaganza in Evian

By Jeffrey Garten

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When the Group of Seven industrialised nations meets this weekend for its annual economic summit in Evian, France, should we expect Iraq-related tensions to spill over into economic relationships? Absolutely.

George W. Bush's administration is not hiding its deep distrust of France and Germany. Only last week, the president delivered a public broadside against European trade and development policies. Moreover, the US is currently obsessed with projecting its own power and seems determined to work with ad hoc "coalitions of the willing" rather than within established multilateral frameworks.

In fact, we may be seeing the beginning of the end of G7 heads-of-state gatherings. And this may not be such a bad thing. I believe in the importance of collaboration among the big powers to steer the world economy. If the G7 had operated effectively in the past, or if it had appeared capable of reforming itself, it would be ill-advised or reckless for the US to undermine the institution. But this high-level group now looks as if it is beyond repair.

The fact is that, except for its first several years when it at least attempted co-ordination of energy and macroeconomic policies, and except for some exhortation in the mid-1990s regarding completion of the Uruguay round of trade negotiations, the G7 is a case study in bureaucratic dysfunctionality and irrelevance.

It has failed to steer Japan and the European Union towards essential domestic reforms that would unlock much-needed growth. It has had no influence in curbing America's unrestrained appetite for oil. It has done nothing to avert recurrent financial crises in Latin America. It was a bystander during the Asian financial disaster of 1998. And it has done little to alleviate global poverty.

Looking ahead, the G7 shows every sign of being impotent in the face of the currency disturbances that could arise if the dollar sank too fast. Its response to looming deflation will be rhetorical bromides. It will be on the sidelines when it comes to the challenge of nation building, or to balancing openness and security in the world economy, post-September 11 2001.

These summit meetings are a far cry from what was intended when they were conceived in 1975. At the time, I was a young official working for Henry Kissinger, then secretary of state. I recall discussions about the importance of heads of state getting together in intimate, informal circumstances to build genuine rapport. The bureaucracy was to be kept to an absolute minimum. The objective was to manage the interdependence of G7 countries and for them to co-ordinate important policies in both their own collective interest and that of the world at large.

Today, these meetings are overrun by large bureaucratic staffs and have become gargantuan media extravaganzas. Except for sleep-inducing communiqués, G7 members barely deal with critical economic reforms within their own countries - the very policies that matter most to the global economy. Instead, they offer plenty of advice on what non-member countries should do. The group also likes to deflect attention from its inability to make the tough economic choices at home by loading the agenda with the political issues of the day. The non-proliferation of weapons and illegal traffic in narcotics are among past examples. Another diversionary ploy is to embrace the pet projects of the host countries, such as the digital divide (Japan's favourite) or African economic development (France's preoccupation).

Sooner rather than later, the world economy will need effective political leadership. It is foolish to think that any one country can alone provide this, or that it can be done ad hoc. Some formal collective effort will be needed. But before anyone designs a new mechanism, some big structural changes to the G7 should be considered.

There ought to be a clear charter that focuses the group's work on domestic policies that have global ramifications, on the economic aspects of security issues such as counter-terrorism and on the importance of co-ordination in these and other areas. To cut down on redundant participants, the EU should be the sole representative of its 25 constituent countries. There ought to be rotating membership from the most important emerging nations - China, India, Brazil and Russia for example. The International Monetary Fund, World Bank and World Trade Organisation should be directly involved. There should be a strong link to global business leaders.

These proposals obviously need further thought. But they stem directly from some of the most important changes in the global arena since the G7 first met. These include intensification of economic globalisation and the need for a deeper collective policy response; the evolution of the EU and the euro; the emergence of important developing nations on the world scene; the critical role of the Bretton Woods institutions; and the expansion of global corporations. The G7 has done pitifully little to adjust to these developments. It is time to close it down.

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