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G8 Summits and Compliance

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5 G8 Summits and Compliance

ELLA KOKOTSIS AND JOSEPH P. DANIELS

People and politicians are dominated by quite excessive expectations as to what can possibly, or practically, be delivered by governmental economic policies.

- T.W. Hutchison, *Knowledge and Ignorance in Economics*

Introduction

Since 1975, the leaders of the major industrial democracies have met at the annual Group of Seven and Group of Eight (G7/G8) summits to address the most pressing international issues of the day, deliberate on shared problems and collectively set directions for the global community. The summits have often produced ambitious and wide-ranging agreements in an effort to generate a multilateral consensus on a diverse number of shared economic and political issues.

Despite the attention given the G7/G8 summit process and the new interest by international relations theorists in the issue of compliance with international agreements (Jacobson and Weiss, 1995; Chayes and Chayes, 1994) there has been little effort to analyze and explain compliance with, and explore the credibility of, summit policy commitments, and to do so as a foundation for identifying proposals to improve the summit process. Although there exists a wealth of scholarly and professional writing on the G8, virtually all of it focuses on the first order question of reaching agreements through effective policy coordination. Thus, little has been produced on the soundness of these commitments and the extent to which summit members comply with them.

Do the G8 summits make a difference? Is the summit process credible and worthy of the enormous media attention it receives? Studies of summit compliance and credibility indicate that the summits do accomplish something, but perhaps not as much as one would like them to. Further, there are significant differences in the compliance record across countries and issue areas. Reforms suggested here, which would curtail the pomp and circumstance, streamline the summit format, and narrow the issues dis-

cussed to those that meet core criteria for effectiveness, should generate fewer, yet higher quality commitments, which are more likely to be fulfilled.

This chapter details the findings of separate data sets on G7 summit compliance based on studies by George von Furstenberg and Joseph Daniels, Ella Kokotsis, and Ella Kokotsis and John J. Kirton, as well as findings on the soundness of these commitments by Joseph Daniels. It then examines explanations of summit compliance and presents conclusions about why compliance is higher in certain issue areas than in others. It finally offers practical proposals and policy options for the G8 partners to reform the summit process in order to generate higher quality policy commitments that are more likely to be fulfilled.

Gauging Compliance with and the Credibility of Policy Commitments

For past summits to be considered productive and meaningful, and the process viewed as credible, the policy commitments endorsed by the leaders and made public through the summit declaration should meet three criteria. First, they should be ambitious. Second, they should be complied with. Thirdly, the links between means and ends should be based on sound reasoning. Existing evidence is used to examine if the policy promises made at the summits meet these criteria. Doing so casts light on the various conjectures and theories of effective multilateral policymaking. In this manner, the quantitative record of the summits is employed to identify past success and provide insights on how to improve the summit process itself.

Before summarizing various findings about the record of compliance, it is useful to consider the general methodological approach that makes summary scores meaningful. Von Furstenberg and Daniels (1991, 1992) were the first to quantify commitments made at the summits and gauge the extent to which these commitments have been fulfilled. This work, which centers on the economic communique only, establishes a uniform approach for gauging compliance.

Methodological Approach to Compliance Measurement

Arguably, the economic communiqué issued at the conclusion of each summit represents a quasi-legal contract, as the leaders endorse the commitments contained therein. This document is used as the sole data source for the von Furstenberg and Daniels methodology, which ignores statements or

press releases that may proceed or follow the release of the communiqué. Peter Hajnal's study, *The Seven Power Summit: Documents from the Summits of Industrialized Countries, 1975-1989*, contains the official economic communiqué of these early summits and is the source document of these studies (Hajnal, 1989).

There are two general types of commitments that are embedded in the communiqué. The first type is a policy measure, which is a commitment to deliver a specific legislative package, such as a balanced budget agreement. The second type of commitment is a policy outcome, which is a shift in an economic variable, such as reducing the deficit, or reducing inflation. Only those commitments that are concrete enough to identify and quantify the intended policy measure or policy outcome are considered.

The next step in monitoring compliance is to establish a scoring metric that assigns a number reflecting the degree to which a commitment was fulfilled. The classic approach is to define a range of scores from -1 to 1, where a score of 1 reflects complete fulfillment. A score of -1 is assigned if the actual outcome was the opposite of that committed to. Focusing primarily on policy outcomes, von Furstenberg and Daniels use the entire interval between -1 and 1 to assign scores. This methodology enables the identification and quantification of the commitments and assesses in a uniform manner the degree to which they were fulfilled. The scores can then be used to examine various hypothesis regarding the summit process.

Summary of Findings on Compliance

Using the methodology described above, von Furstenberg and Daniels (1992) derive an overall average score for the 209 commitments revealed in the communiqués of the first fifteen summits. The average score was 0.317, or 32 percent, meaning that, roughly one-third of what was promised was actually delivered by the policymakers. These results suggest that G7 members do comply, albeit weakly, with their summit commitments. Moreover, compliance scores vary widely by country, with high compliance coming from Canada and Britain and low compliance from the United States and France. Compliance also varies widely by issue area, with international trade and energy receiving high compliance scores and interest and exchange rate management receiving low scores.

Subsequent research by von Furstenberg and Daniels (1993) combines macroeconomic forecasts generated by the Organization for Economic Cooperation and Development (OECD) with the policy commitments made

at the annual summits. Since these forecasts are generated so near the time of the summits, it is reasonable to assume that the forecasts and summit commitments are independent of each other. The forecasts, therefore, can be used to determine the degree of ambition of summit commitments.

Using the 209 commitments of the first study, the authors are able to generate sample statistics to test the joint-null hypothesis of "no summit ambition" and "no summit effect". Again, though the overall score is low, the authors are able to reject, in a statistical sense, the null hypothesis. That is, the commitments are ambitious and there was low, but positive compliance (see Table 5.1). This conclusion stands in stark contrast to the opinion of one sherpa at the 1997 Denver summit, who claimed that the "summits

Table 5.1 Average (a), Standard Deviation (SD) and Number of Scores (N) for 1975-89 Economic Summit Undertakings

Score	Average	SD	N	(N-1) ^{a,5*}
All Undertakings	0.307	0.684	203	0.070
- with 6A replacing 6.	0.355	0.649	135	0.086
A. By Country, Ordered from Largest, By Size of 1980 GNP				
United States	0.246	0.730	33	0.177
Japan	0.262	0.632	28	0.192
Germany	0.346	0.740	23	0.213
France	0.240	0.612	23	0.213
United Kingdom	0.413	0.743	21	0.224
Italy	0.274	0.688	26	0.200
Canada	0.409	0.603	24	0.209
All Single-Country	0.306	0.685	178	0.075
All Multi-Country	0.314	0.687	25	0.204
B. Detail by Function and Controllability				
1. Real GNP Growth	0.397	0.623	17	0.250
2. Demand Composition	0.233	0.801	7	0.408
3. International Trade	0.734	0.364	7	0.408
4. Fiscal Adjustments	0.259	0.680	40	0.160
5. Interest Rate	0.221	0.526	20	0.229
6. Inflation Rate	0.221	0.731	80	0.113
6A. Multi-Country Scoring	0.266	0.672	12	0.302
7. Foreign Exchange Rate	-0.700	0.301	2	1
8. Aid and Schedules	0.265	0.388	5	0.5
9. Energy	0.660	0.559	25	0.204
Direct Policy Measures	0.279	0.617	10	0.333
All Others	0.309	0.688	193	0.072
All Except Energy	0.258	0.686	178	0.075
All Except Inflation	0.364	0.646	123	0.091

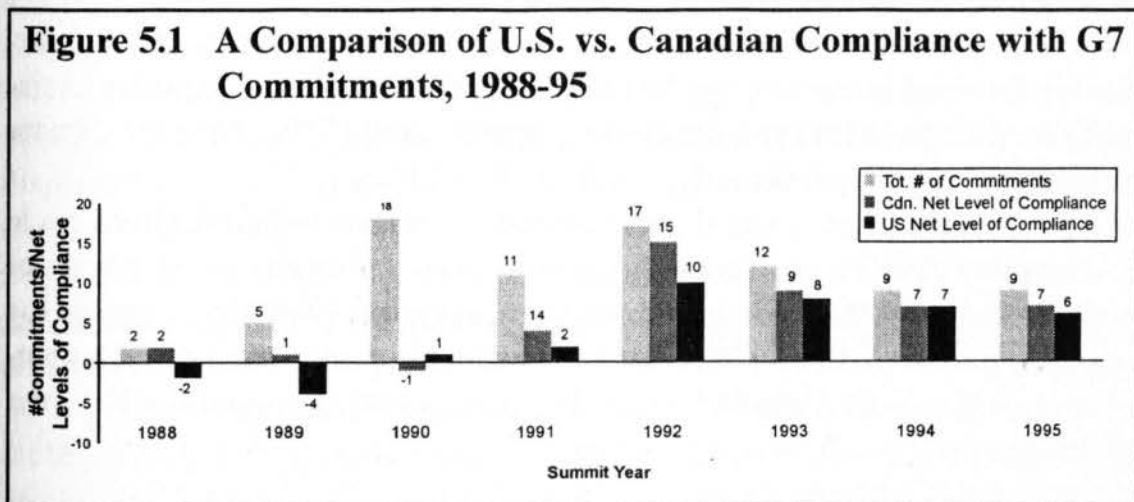
This is the standard deviation (SD) of the average score under the joint null hypothesis that the population value of the SD of scores is 1 because Summit ambition and effect are both 0.

Source: Scores for 1975-80 Summits calculated by George von Furstenberg and Joseph P. Daniels in "Policy Undertakings by the Seven Summit Countries: Ascertaining the Degree of Compliance". *Carnegie-Rochester Conference Series on Public Policy* 35 (Autumn 1991), 267-308

tend to under-promise and over-deliver".

Subsequent compliance studies, conducted by Kokotsis (1998), and Kokotsis and Kirton (1997), analyze the G7's compliance record from 1988-1995 in regard to the G7's environment and development commitments, which flourished during this period. These studies explore the compliance record of the G8's most and least powerful members, the United States and Canada, in an effort to examine the effects on compliance of overall relative capability and to explore the way differences in national institutions affect compliance outcomes.

Four issue areas critical to the global environment and development agenda - climate change, biodiversity, developing country debt and assistance to Russia - are considered. The period from 1988-1995 provides an era of sustained summit attention to, and important action on these issues. It is a period during which summit attention and ambition has varied, and one where lags in compliance are visible. This combination of eight years, two countries, and four issue areas, including 83 specific commitments, offers enough cases to identify compliance patterns and isolate key compliance variables (see Figure 5.1).



Source: Compiled by E. Kokotsis

These findings suggest that during its third summit cycle, the G7 produced a large number of specific and often ambitious environment and development commitments - 34 regarding climate change, 15 regarding biodiversity, 13 regarding developing country debt, and 21 regarding assistance to Russia. Canadian and U.S. compliance with these commitments has generally been positive, with an overall score of 43%. Yet wide variations appear by country, issue area, and over time: Canada's net score of

53% contrasts with the U.S. net score of 34%. Compliance is much higher in regard to assistance to Russia and developing country debt, than for climate change and above all biodiversity.

These findings suggest several trends. First, during its third seven-year cycle, the G7 offered a larger number of specific and often ambitious environment and development commitments than was the overall norm for the earlier period. These findings thus suggest that the summit has become more active in generating specific, identifiable, and measurable agreements in these key areas.

Second, wide variations arise by country, from Canada's 53% to the U.S.'s 34%. This outcome is consistent with that found by von Furstenberg and Daniels (41% for Canada and 25% for the U.S.). As the methodology of Kokotsis, and Kokotsis and Kirton differs slightly from that of von Furstenberg and Daniels, as the former employ a discrete scale, using only the values of -1, 0 and 1, while the latter use all possible values between -1 and 1, direct or absolute comparisons cannot be made. Hence, no definitive conclusions can be reached regarding rising or falling compliance scores between the periods considered, or for a widening or narrowing of compliance gaps between nations.

Third, there continues to be wide variation across issue areas. During the third summit cycle, compliance is much higher in regard to assistance for Russia (81%) and developing country debt (73%), than for climate change (34%) and, particularly, biodiversity (-13%).

Finally, there is significant variation over time within the third cycle of summitry for G7 environment commitments. Compliance is lower for both Canada and the U.S. in the pre-Rio period of 1988-1991 than in the post-Rio period of 1992-1995. There is a notable peak period of high compliance, which both Canada and the US share, centred around the Rio year of 1992.

Means-Ends Relationships and Credibility of Commitments

Just as the declarations make public the policy promises, they also provide glimpses of what the actions promised are aimed at helping accomplish. In this way, some of the general economic relationships and specific links between means and ends the policymakers subscribe to have come to light, revealing occasional disagreements, shifts of emphasis or evolution of viewpoints over time.

In theory, disagreement among policymakers on the "correct" struc-

ture of the economy, and therefore the appropriate policy responses, can present a formidable obstacle to economic policy coordination. It is doubtful that such disagreements are very inhibiting to the policy process, as policymakers are exposed to various models of domestic agencies as well as the models of their foreign counterparts. Thus, a consensus view is developed that incorporates the various modeling ideologies, forecasts, track records, and judgments, all of which are held with varying degrees of conviction. Multiplier and policy lag uncertainty, on the other hand, may indeed inhibit the coordination process. In essence, the viability of economic theory that policymakers subscribe to becomes a "technological constraint" on establishing policymaking credibility (Blackburn and Christensen, 1989).

Daniels (1993) represents the lone comprehensive empirical evaluation of the means-ends relationships advanced at the economic summits. In this study, the various relationships that were revealed in the declarations of the first fifteen summits were inventoried and evaluated in light of recent empirical evidence found in the literature or provided by the author. Based on this evidence, the relationships were judged as either "well-advised", "arguable", or "ill-advised". Further, the relationships were classified as Keynesian, new classical, or other, to determine if there was any progression of economic thinking revealed in the declaration.

Eighteen distinct economic relationships were gleaned from the declarations of the first fifteen summits. The classification of relationships displayed no significant pattern or shift in economic thinking over time. It does, however, show that understandings that relate to national aggregates imply a traditional Keynesian view, while understandings that rest on external linkages are consistent with a Mundell-Flemming model for internal and external balances.

One might suspect that policymakers would play it safe and promote publicly only those actions whose motivation is above challenge, thus reinforcing the credibility of their policy announcements. By comparing the relationships advanced in the declaration with the empirical evidence, this does not appear to be the case. Seven of the eighteen relationships were considered to be "well advised". Ten, however, were considered to be "arguable". Hence, the effectiveness of many of the policy actions announced at the summits may be compromised by the uncertainty of economic theory and models' forecasts that policymakers subscribe to.

To summarize, the G7/8 summits have delivered a large number of policy commitments on economic, environmental, and development issues. The extent to which these commitments were fulfilled is positive, though, in

the case of economic commitments, disappointingly low. Further, promises were ambitious, rejecting the notion that policy makers "do not go out on a limb" at the summits. Additionally, the means-ends relationships that policy commitments rest upon are suspect and possibly compromise the effectiveness of the policy actions *even if they were fully complied with*. Thus, the summits are indeed worth something, but leave much room for improvement in the process they currently follow.

Explanations of Summit Compliance

Given that summit declarations are not legally binding documents, that no formal enforcement mechanism exists to ensure that implementation systematically occurs, that domestic circumstances and leadership change from year to year, and that some commitments are superseded by subsequent agreements, one might expect the compliance with G8 summit commitments would be very low. The studies outlined above conclude, however, that over time, the summit has, in general, been active in generating agreements that are specific, identifiable and measurable, that compliance with Summit commitments has been positive and sustained, and that positive compliance appears across countries. How does one account for and explain these patterns of summit compliance?

Conjectures on Policy Coordination

The scores that resulted from the von Furstenberg and Daniels studies described above were grouped by summit, country, function, and controllability (see Table 5.1). The authors use these aggregate scores to draw conclusions on some popular conjectures regarding international policy making. The first conjecture is that joint economic commitments tend to be honored to a lesser degree than an individual commitment, as collective commitments generate "free-rider" problems. The findings indicate no statistical difference between these two types of commitments. Hence, compliance with collective commitments was no less than with commitments assigned to specific countries.

The second conjecture considered is that commitments that promise delivery of a policy measure or instrument that is under the direct control of policy makers would be honored to a higher degree than commitments promising an outcome for a policy target (Putnam and Henning, 1989). The

scores reveal the opposite. Commitments on direct policy measures receive a lower than average score than those on economic targets. It appears that policymakers have as much difficulty adopting policy measures as they do forecasting the impact of policy measures on target variables.¹

Finally, it is argued that policy makers of smaller nations would scrupulously honour their commitments so as to provide political leverage over the policy makers of the larger and more powerful nations. Further, the degree to which one nation can visit macroeconomic externalities upon another depends on the relative size of the nations (Dobson, 1991). As a result, large nations would be less likely to honor their commitments.

Though Britain and Canada received the highest compliance scores, and the United States the second lowest, the scores do not reveal any systematic pattern based on economy size. Likewise, there is no significant correlation of compliance scores with the relative size of the economy, as measured by its GDP. Therefore, the evidence does not support either conjecture relating compliance to the size of the nation.

Institutional Variables and Regimes

Institutional variables and the role of regimes point to further explanations of summit compliance. The findings on debt and assistance to Russia indicate that there has been a sustained, and in fact high level of summit compliance by both Canada and the US in these issue areas during the third summit cycle. This reflects important national institutional variables at work. Within both of these issue areas, the implementation of summit resolutions occurs through long-established departments (Treasury and Finance) possessing well-defined domestic implementation responsibilities, and manifesting strong institutional links to powerful multilateral organizations.

The existence of a well-defined and clearly established process within Treasury and Finance for the domestic implementation of debt and Russian-related commitments helps guarantee a systematic operationalization of the communiqué. Given that finance ministries have the most regularized communication through the G7 finance deputies process, compliance is generally higher with issues stemming from finance ministries, followed by those arising from foreign ministries. This view is confirmed by senior government officials in both Ottawa and Washington who affirm that "finance ministries have the most well-developed coordination of follow-through, with the foreign ministries next".² A senior Canadian government official concurred with this correlation between the role of finance min-

istries with respect to summit compliance:

On the economic side, it's easier because the institutional framework already exists. On the political side, there's no mechanism for follow-up. Thus the G7 has been less successful in ensuring follow-up on non-economic issues in the past. The G7 finance deputies process ensures some level of follow-up, more so than within foreign ministries.³

By contrast, the Department of Environment in Canada and the Environmental Protection Agency in the United States are examples of departments/agencies possessing less of an established process to deal with the implementation of summit commitments. This is primarily because these agencies/departments have been in existence for a relatively shorter period of time. They are bureaucratically less capable of dealing with the domestic implementation of international commitments. Moreover, they possess less money in overall budgetary terms and are thus less influential than older, more established great departments of state or central agencies - such as Finance or Treasury. As such, lower compliance comes with environment commitments than with those arising from departments of Finance and Treasury.

National institutional variables further serve to account for Canada's higher overall record of summit compliance compared to that of the U.S. Within Canada's Department of Foreign Affairs and International Trade (DFAIT), a permanent G8 summit coordination office, staffed with permanent officers, exists to manage, handle, oversee and execute summit undertakings beginning early on in the preparatory process and continuing throughout the year. By contrast, a summit coordination office, or "line office" dealing specifically with G8 undertakings, does not exist at the U.S. State Department, Treasury, or the White House. Although directives are sent out to ministries regarding summit undertakings, the thrust to move these initiatives forward often wanes after the annual summit due to the fact that a central coordinating office does not exist in the US to execute summit resolutions. According to a US government official, "There is no summit coordination office, unlike in Canada, and the energy falls off dramatically post-summit".⁴

International institutional factors also affect summit compliance. Departments of Finance and Treasury possess well-established institutional links to long-existing international fora, including the Paris Club, International Monetary Fund (IMF) and World Bank. These are the institu-

tions responsible for the implementation of Russian assistance and debt-related issues. Because the G7 members are the major shareholders within these institutions, they are able to set the agenda, prompt action and secure agreements on the implementation of these issues. By contrast, domestic environmental departments lack coordinating centres for G7/8-related activity and oversight and rely for international implementation on the fragmented specialized agencies of the United Nations. Here the G7 countries do not possess overwhelming controlling strength due to both institutional characteristics (the one-country-one-vote rule) and underlying issue-specific capabilities and contributions. An overall lower level of compliance is thus assured, especially for commitments which require action by international organizations for their implementation.

Furthermore, the G7 Finance Ministers and Finance Deputies fora, which have existed since 1986, allows the G7 to reinforce the national-international institutional link and intensely monitor the implementation of G7/G8 commitments. The G7 Finance Ministers and Finance Deputies process is more institutionally entrenched than the newer, more "embryonic" and still-evolving G7/G8 environment ministerial forum that emerged only in 1992. Given that the environment ministerials appeared later in the summit system, compliance is expected to be lower with environmental commitments. What should further be noted is that the timing of such ministerials is also relevant to compliance. According to Nicholas Bayne:

Ministerials which follow fairly soon after the summit are the most helpful in encouraging compliance. The timing of the IMF meetings of finance ministers, three months later, is useful in this regard. Pre-summit ministerials, like those of the environment ministers, can help shape the summit agenda but may not help compliance.⁵

An additional international institutional variable of relevance is apparent in the summit's environment agenda. The empirical findings reveal that there is no net compliance during the period 1989-1991 in either climate change or biodiversity. Beginning in 1992 and onwards, however, there is a high level of sustained environmental compliance. This is primarily due to two factors. First, 1992 marked the launching of a new era in environmental diplomacy with the convening of the United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro, Brazil. Convening just three weeks later in Munich for their annual summit meeting, the G7 leaders agreed on the importance of ratifying the climate change

and biodiversity conventions, and stressed the need to implement the decisions embraced. Thus, as the Earth Summit quickly developed into a nested regime, a "Rio effect" is observed, corresponding with a higher level of environmental compliance by Canada and the US with the agreements reached at Rio and endorsed at the G7 Summit.⁶

The 1991/92 "Rio rise" was also coincident with the institutionalization of the G7 environment ministerials, beginning in Germany just prior to the 1992 Munich Summit, and then continuing in Florence, Italy in 1994, Hamilton, Canada in 1995, Cabourg, France in 1996, Miami, Florida in 1997, and Leeds Castle, England in 1998. These G7/G8 environment ministerials have proceeded to endorse the Rio conventions and have emphasized the importance of their continued implementation.

Finally, there is a third institutional variable of relevance. It relates to the expansion of both the preparatory and follow-up phases of the summit. This expansion has led some officials to conclude that the summit process itself has become more institutionalized over the last summit cycle. In turn, this has precipitated an overall rise in compliance by both Canada and the US during the summit's third cycle as compared to the previous two. According to a Canadian official:

There was an inherent reluctance to institutionalize the process, although I think it's fair to say that over time, there became more frequent meetings after each Summit, and the meetings to prepare for the next Summit began earlier than before. So it became almost a full-time job and certainly became an annual exercise as opposed to a summer event - not only in the preparatory phases, but also in the stock-taking of what had been achieved.⁷

Political Control by G7 Heads of State and Government

In addition to institutions and regimes, the element of political control helps explain compliance with summit commitments. The fact that leaders themselves are present at the summit table seems to ensure that the decisions they reach, and the commitments they make, carry added weight. There are no higher-level bureaucrats at home to whom their decisions are deferred. As a result, when the leaders become personally associated with a summit commitment, it is somewhat different than if that commitment had been produced by a group of ministers. As such, when the Prime Minister and President are directly involved in the creation of the commitment, that fact has a major impact on policy and the priority of policy implementation on

the home front. Moreover, when the head of state or government attaches a high degree of personal importance and commitment to certain issues, the degree of implementation is even higher.

This political control variable also takes into account the leader's individual personality and the importance he/she places on international institutions and agreements, including those of the G7/G8 more generally. For example, if a head of state or government demonstrates an attachment to sustainable development initiatives, consistently advances these themes at the annual summits and demonstrates a commitment to multilateralism and the G7/G8 process more specifically, compliance levels will tend to be higher.

Yet because G8 heads are not merely leaders, but democratically-elected ones, their ability to impose their implementing will within their government is constrained by their political standing within society at large. When leaders and their parties enjoy high approval ratings and popularity, their ability to implement is increased. In addition, when domestic public opinion favors a particular issue - such as the environment in both Canada and the U.S. - even unpopular leaders at the time, facing a likely electoral defeat (such as Prime Minister Mulroney and President Bush) will comply with their communiqué commitments. This is primarily because leaders recognize the effects of public opinion and political pressure in areas important to their electorate.

Improving Compliance and the Quality of Commitments

In order for the G7/G8 summits to provide an environment for effective policymaking, they must establish a credible record, or the expectations placed upon them and the attention paid to them will surely fade. The recommendations provided below are primarily based upon an analysis of the evidence cited above, supplemented by material drawn from the general scholarly literature on compliance, monitoring and enforcement. Six proposals for summit reform to enhance compliance and credibility are offered.

First, following British Prime Minister John Major's suggestions for a more streamlined summit in 1992, the summit agenda should become less overloaded, and reflect a more intense focus on only those issues where the G7/8 can make a notable difference. With the mass of intractable problems that has inundated the annual summit agenda, leaders are less able to reach cooperative agreements and understandings on policy matters, let alone

attempt to implement concrete strategies to alleviate the problems in the first instance. If leaders continue to attempt to resolve the myriad of issues they are confronted with every year and fail, they risk damaging their reputations and discrediting the summit process.

Second, leaders should internationalize domestic policy issues only when, in the words of Putnam (1989) and Paarlberg (1997) a "positive synergistic linkage" can be developed. The solution is to remove from the agenda domestic issues that are not yet "ripe" as their internationalization may lead to negative synergistic linkages, delaying domestic actions and reform.

Third, summit leaders should focus on policy initiatives whose means-ends relationships are well understood and accepted. Leaders should articulate the means-ends relationships so as to establish their credibility and thus maximize their effects on private agents.

Fourth, the G7/G8 should advance commitments in areas where individual leaders and the collective heads of state and government hold "formal" and real "authority". As explained by Aghion and Tirole (1997), formal authority is the right to decide whereas real authority is effective control over decisions. For example, issues of monetary policy have never been, for all practical purposes, on the summit agenda. It was readily understood that most of the leaders had neither the right to decide monetary objectives nor did they exercise control over monetary policy decisions. Loss of fast-track authority by the U.S. President would then imply that trade should not be part of the summit agenda. Likewise, commitments to be fulfilled by supranational organizations should occur where the G7/G8 has a high degree of real authority, such as the IMF, as opposed to organizations in which the G7 does not possess disproportional voting rights, such as the World Trade Organization (WTO).

Fifth, related to issues of real and formal authority and principal-agent problems is the credibility of the underlying institutional body that will develop, implement, and carry out policy. Policy dialogue at the summit level should embrace only those areas where adequate domestic institutional bodies exist to develop and implement domestic policies. Commitments made by principals whose agents are ill-equipped to carry out the commitment can jeopardize the credibility and effectiveness of the policy announcement. In addition, the responsible institutional body should be identified out so that the principal-agent relationship is understood.

Sixth, the 1998 Birmingham summit adopted a format similar to that initially envisaged for the first G7 summit, whereby the leaders meet completely separately from foreign and finance ministers. The importance

of leaders meeting on their own during the summit should not be overstated, however. Compliance with summit commitments is more likely to come with ministers on site during the three-day event. This is for three important reasons. First, on-site finance and foreign ministers will generally have a clearer understanding of the context and more specific aspects of the economic and political commitments and will thus be able to suggest appropriate implementation, monitoring and enforcement strategies. Second, with ministers present on site, leaders can immediately instruct them to contribute resources from their respective ministries at the earliest possible stage in the implementation process. Third, ministers can advise heads of state and government immediately of unrealistic commitments and thus prevent them from making commitments that cannot be kept. Thus, in order for compliance with summit commitments to be a realistic objective for the G7/G8 members, it is essential that they return to their previous format of having key ministers on site during the summit itself.

These six suggestions for reform provide a guide as to what issues should be on the summit agenda by explicitly pointing to a more streamlined and focused agenda as well as a more coherent and directed communiqué. The final declarations should result in fewer commitments of higher quality and greater credibility. In this regard, commitments are more likely to be fulfilled when their impact on private agents and ultimate welfare targets are maximized.

Conclusion

It is undeniable that when heads of state and government get together, there is no such thing as "just talk". However, when the summit agenda is filled with idle time and cocktail parties, as the summits have increasingly done, little can be expected. Yet the expectations and attention placed on the summits is high and continues to grow, as evidenced by the increasing number of media credentials issued each year.

Compliance studies indicate that the summits do accomplish something, but perhaps not as much as one would like them to. Reforms that lead to a streamlined and simpler summit format and that narrow the issues discussed to those that meet the criteria suggested above should generate fewer, yet higher quality commitments, which are more likely to be fulfilled. Though what one expects the summit to accomplish may be narrowed, it is more likely that the summits can accomplish something.

Notes

- 1 Energy is one functional area that stands apart in the von Furstenberg and Daniels studies, indicating that policymakers may be more successful at microeconomic reforms rather than macroeconomic policies.
- 2 Interview with senior U.S. government official, Washington, D.C., March 12, 1997.
- 3 Interview with senior Canadian government official, Toronto, February 12, 1997. Note that whereas G7 finance ministers meet four times a year to specifically discuss G7-related matters, foreign ministers meet only once a year, and only on the margins of the opening session of the United Nations General Assembly.
- 4 Interview with senior U.S. government official, Washington, D.C., March 11, 1997.
- 5 Interview with Sir Nicholas Bayne, Surrey, England, February 1, 1997.
- 6 The Earth Summit is referred to as a "nested regime" because of the institutional developments that rapidly transpired vis-a-vis the Rio declarations following the conclusion of the United Nations Conference on the Environment and Development (UNCED) in 1992. For example, the UN Commission on Sustainable Development was established in the aftermath of UNCED as the follow-up body for the Rio conventions. Moreover, permanent secretariats were established for both the Climate Change and Biodiversity Conventions in Bonn and Montreal respectively, with each possessing the institutional underpinnings of a more formal regime: fixed headquarters, a permanent secretariat, budgetary allocations and the creation of binding and enforceable rules.
- 7 Interview with senior Canadian government official, Montreal, January 31, 1997.

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