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# The Role of the G8 in the New Millennium

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# 1 The Role of the G8 in the New Millennium

JOHN J. KIRTON AND JOSEPH P. DANIELS

## Introduction

During the 1990s, the Group of Seven (G7) and now Group of Eight (G8), has attracted a rising crescendo of scholarly and policy criticism as it and the world have confronted a host of new issues and major transformations. The criticisms have centered on the apparent failure of the G7/8 to manage its core economic and financial agenda, to assist Russia in its democratic market transition and integration into the global economy, and to address the new transnational issues and pressures toward regionalism in the world. To many, these charges have acquired added force as the Asian financial crisis moves beyond its regional origins to create economic damage and instability everywhere. Further erosion in the credibility of the summit process will no doubt occur as Russia sits precariously on the verge of financial and even political collapse, as Europe reinforces its regional identity and strategy with the advent of the Euro, and as North America considers building on regional solutions through the North American Free Trade Agreement (NAFTA) in response (Bergsten, 1998; Malmgren, 1998; Hale, 1998).

Amidst such prevailing pessimism and uncertainty, this collection offers a more firmly grounded and optimistic assessment of the outlook for global governance as the transformed world of the new millennium rapidly approaches. It looks beyond the current criticism to examine the underlying transformations now underway in the G8 as an institution and in the world that it seeks to govern. It provides a critical, scholarly assessment of the G8's performance and prospects in addressing the issues that have moved from the domestic stage to the centre of the international agenda as the post cold war world of globalization and deepening integration gives way to the fully global system of the new millennium.

The collection explores the logic of the contemporary critics to offer improved explanations of the circumstances under which the G7/G8

is effective in addressing both its traditional subjects and the defining issues of the emerging era - the sound management of the global financial system in both its governmental and private sector dimensions, employment and employability, foreign direct investment and its link with social values, and transnational financial crime and drugs. In all cases, its analysis is policy oriented and forward looking, both in anticipating the emerging G8 agenda in these areas, and pointing to what action the G8 will, can or should take to contribute to global governance in these realms.

### **The Approach**

To meet these objectives this collection builds on, refines and reaches beyond the major existing competing theories of G7/8 performance outlined in Table 1.1 - the seminal "American leadership" model of Putnam and Bayne, the "concert governance" model of Kirton and Wallace, the "false new consensus" model of Bergsten and Henning, and the recent "democratic institutional" model of Ikenberry and Kokotsis (Putnam and Bayne, 1987; Kirton, 1989; Kirton, 1993; Wallace, 1984; Bergsten and Henning, 1996; Ikenberry, 1993; Kokotsis and Kirton, 1997; Kokotsis, 1998).

The objective is to generate new data and insights that will contribute to the development of general theories of international cooperation in political economy, enrich institutional analysis in economics, and provide a foundation to assess and advance proposals for G7/G8 reform as it addresses the issues likely to dominate in the new millennium.

To assess the contemporary relevance of such explanations, this collection goes well beyond the particular issues that have historically highlighted the G7 agenda. Rather, it explores the enduring central functions of the G7/8 as an institution of global governance (notably in co-operation, compliance and crisis management) in the context of the issues and processes that, now and in the future, will dominate a radically transforming world. Here it draws on and extends the leading theories of G7/8 and international co-operation to identify the factors and their interrelationships that are relevant to the G7/8's performance in the new era of proliferating globalization.

To conduct such a far reaching, fundamental and forward-looking analysis, this work employs a multidisciplinary and multidimensional approach. It mobilizes the perspectives of political science, economics, management studies and law. It presents analyses from leading experts of the G7 and its core issues who are based in Europe, North America and

**Table 1.1 Models of G7/8 Cooperation and Compliance**

**Model A: American Leadership** (Putnam and Bayne, 1984, 1987)

1. U.S. assertion of "strong leadership in alignment ... with at least one other major power", (subjective hegemony) as necessary but not sufficient condition;
2. "Reigning ideas and the salient historical lessons as interpreted by leaders in each era" (policy ideas and spasmodic learning favouring a recognition of shared interests, in response to dramatic evidence of policy failure);
3. The absence of electoral uncertainties and presence of domestic cleavages and alignments in key countries allowing "a mutually supportive transnational alliance" (domestic politics).

**Model B: Concert Governance** (Wallace, 1984; Kirton, 1989)

1. Predominant Capabilities - collectively dominant and internally equal capabilities;
2. Constricted Participation among only and all major powers;
3. Common Principles of major power responsibility, market democracy, and rule of law;
4. Political Control by popularly elected leaders;
5. Crisis Pooling - interdependence and intervulnerability activated by crisis, especially a "second shock".

**Model C: False New Consensus** (Bergsten and Henning, 1996)

Decline during the 1990s due to:

1. False New Consensus - "a growing consensus within the group that changes in global economic conditions make it impossible for them to pursue" previously feasible initiatives;
2. American decline - "the decline in America's economic and security clout, which partly stems from the end of the Cold War and with America's inconsistent policies and inept performance";
3. Traditional differences among the members, particularly the U.S. and Germany, on several key issues.

**Model D: Democratic Institutionalism** (Ikenberry, 1993; Kokotsis, 1998)

1. Linked Domestic and International Institutions - powerful domestic departments with defined G7 responsibilities and powerful international institutions which G7 members control;
2. G7 Institutionalization - established G7/8 ministerial and official forums and an institutionalized summit preparatory and follow-up process;
3. Multilateral Regime Nests;
4. Leader Commitment - direct involvement by leaders who give priority to the multilateral co-operation, G7 institutions and its particular issues;
5. Popular Support - high domestic approval for leaders and supportive public opinion for the G7/G8 issue.

Japan and who in many cases have had extensive experience in several regions. It provides the views of scholars whose rigorous academic analyses are infused by the insights gained from present and past involvement in often senior reaches of the policy world. It avoids imposing any single model or methodological perspective to allow each contributor to explore with full freedom how a rapidly changing G7/8 system is addressing the demands that dominate the new world of the coming millennium.

### **The New World and its Challenges**

The rapidly approaching new millennium marks not only a convenient chronological divide to assess the pace of the changes to the world economy and political system brought about at the outset of the 1990s by the end of the cold war, and the resulting processes of globalization throughout newly opened democratic polities and market economies. Rather it is also the opening of a new era of major transformation in the capabilities and foreign policy approaches of the world's major powers, the processes which underlie these changes, the agenda created by them, and the way international institutions such as the G7/8 adapt to exercise global governance in response.

The signs of this emergent new system are first evident in the unprecedented and often puzzling changes that arise when the contemporary world is viewed through the traditional state-centric prism of international politics and the management of the international economy. The United States appears, for the first time since the late 1940s, to be enjoying a new across-the board hegemonic dominance, one more deep and enduring than the shallow, short-lived Reagan revival of the early 1980s, but one without the outward looking internationalism of America's initial hegemonic moment (Mulford, 1998). This new America represents a profound challenge to a G7/8 initially created in 1975 in response to American weakness, as a forum where the domestic policy approaches of all members could be shared as valid models, and the domestic resources of all pooled to provide the global public goods America could no longer afford to give alone.

A once vibrant and steadily growing Japan has now endured close to a decade of stagnation and is entering a recession and crisis of confidence that threatens to go well beyond the temporary and limited reversal of the 1973 Organization of Petroleum Exporting Countries (OPEC) oil shock that beset it immediately prior to its entry, as a founding member, into the G7.

Germany, France and Italy, with the advent of the Euro, are moving into an unprecedentedly deep stage and form of regional integration, while Britain and Canada confront the cruel choice of whether to embrace such regionalism or continue as countries with an autonomous global approach in which the institutions of the G7/8 occupy pride of place. And Russia, admitted as a full member to the new G8 that was created alongside the continuing G7 at Birmingham in May 1998, is no longer the threatening cold war power of old nor the stable market democracy that G8 assistance and engagement were creating during the 1990s. Rather, it is rather a precarious power of enormous potential on the verge of a collapse which threatens the global system and the capacity of the G7/8 to cope.

Such dramatic shifts in relative capability and foreign policy orientation are in large part the result of powerful new processes now at work in the world. The proliferating speed, breadth and depth of international action by civil society actors and individuals are currently creating a new fully global system that demands continuous, comprehensive, effective global governance in response. The speed and accessibility of information and communication is evident in global financial markets, which countries wishing to preserve stable currencies or peculiar, opaque national financial systems can no longer easily resist.

With a few exceptions, most regions are now part of this single integrated global system, as the opening that came with the democratic-market revolution of the 1990s has now been reinforced by an often painful internationally-engaged re-orientation in foreign policy and a wrenching reform of domestic institutions and practices in support. Partly as a result, subjects long dealt with essentially or entirely as an essential part of domestic politics, and considered to be part of the hard core of a nation's sovereign prerogatives - the supervision of national banks and financial institutions, employment and employability programs for citizens, regulating direct investment and combatting crime - have now been elevated to the international level as the central agenda.

These transformations are giving the institutions of global governance, beginning with the G7/8, a new agenda, and forcing fast-paced processes of reform in an effort to cope. Thus financial supervision since the Halifax Summit of 1995, employment as a microeconomic focus since the Detroit ministerial of 1994 and crime since the Ottawa ministerial meeting of 1995 and the Lyon Summit of 1996 have become the centre of G7 concern. To address such issues, for example, transnational crime, it has been necessary to involve other countries and include Russia as a new mem-

ber. A proliferating array of ministerial forums for a vast array of subjects have left leaders free to deal in depth with immediate crises and longer term priorities. The new Birmingham model for conducting the annual G7/G8 Summit, introduced by British Prime Minister Tony Blair in May 1998 and destined to be repeated by the German Chancellor as host of the 1999 Summit in June at Cologne, represents the most recent major attempt to make the G7/8 an effective centre of global governance for this new world.

### **The Analyses**

To explore how these new critical global issues are being managed, the role of the reformed G7/G8 in this regard, and the potential of the G7/G8 as the effective centre of global governance in the transformed world of the new millennium, it is necessary to examine in turn when and why the G7/G8 performs as an effective international institution, how it is addressing its core task of managing the global financial and economic system, and how well it is coping with the newly globalized priorities of investment, employment and crime.

Thus Part I provides an overview of the recent performance of the G7/8 in fostering policy cooperation and coordination, compliance with collective commitments, and crisis management. It offers refined versions of the classic models of G7/8 performance and applies them to the contemporary G8 agenda and the new forces at work as the millennium approaches. It features three chapters written by the major theorists of G7 behaviour and a fourth chapter offering a critique of the argument that the G8 is becoming or should become a centre of global governance.

This examination begins, in Chapter 2, with Sir Nicholas Bayne's exploration of "Continuity and Leadership in an Age of Globalization". Here, the leading scholarly and practitioner analyst of the G7 points to the need for the G7/8 to deal persistently with the world's core problems, to expand its institutional capacity to this end and to focus on its unique advantages as an international institution. Contrary to initial hopes and claims, Bayne argues, the summits have not been good at forecasting trends (though they are good at crisis management), nor in choosing successful policies first time round. But, to their credit, they keep returning to issues until they get them right. The focus at Birmingham on what are "the Four Horsemen of Globalization" - job loss, crime, financial panic and world poverty - is not new, as all four themes have recurred in various forms during the summit's

history. To make an impact, the summits need to establish continuity; and that requirement is expanding the G7/G8 apparatus and making the summits themselves less distinct from other international methods.

In Chapter 3, on "Explaining G8 Effectiveness", John Kirton offers a more optimistic assessment of the G7's performance and potential, but one that points in the same direction toward the institutional adaptations required for the new millennium. Kirton argues that as the post cold war globalizing world of the 1990s moves into the new millennium, the G7 and new G8 are emerging as an effective centre, and are prospectively the effective centre of global governance.

During the 1990s the institution has enjoyed an enduring and enlarging success in forwarding, against formidable resistance, the new core values of inclusive democracy, ecologically sustainable market economies, and international openness and engagement. Its recent success and future potential rests on four foundations: the growing systemic predominance of capability and equality of capability within the G8; increasingly deep interdependence and intervulnerability among G8 members; a common commitment to the core values of market democracy, sustainable development, social equity and human rights; and the G8's unique operation by popularly and democratically elected leaders free of bureaucratic constraint.

In Chapter 4, on "The G8 and the New Political Economy", Michael Hodges offers a far more skeptical analysis. He suggests the capacity of the G7/8 to fulfill the hopes invested in it is limited. Its current membership makes little sense in the 21st century, after the Euro, expansion of the World Trade Organization (WTO) and the proliferation of other regional and multilateral organizations. If Russia is included, should not China also be a member? It would make more sense to return to fireside chats for the US, Japan, the European Union (EU) Presidency and Commission, perhaps the European Central Bank (ECB) and leave concrete tasks to other, broader organizations. In that way the world could reap the unique advantage of the G7 as a deliberative, catalytic and direction setting forum, while leaving decision-making and implementation to other institutions with the multilateral membership and organizational capacity required.

The actual record of the G7 in collective decisionmaking and implementation is the focus of Chapter 5, where Ella Kokotsis and Joseph Daniels take a close look at "G8 Summits and Compliance". They note that since the inception of the summit, there has been little effort to analyze and explain compliance with summit commitments as a foundation for identifying proposals to improve the summit's compliance record. They report the



results of the existing data on compliance with G7 commitments, identify the factors that create higher compliance in certain issue areas, and offer suggestions for improving the compliance record of the G7/G8 member states with their summit commitments.

Part II of this volume turns to the courses, causes, and challenges of contemporary G7/8 performance and its potential in regard to the core financial issues bred by intensified globalization. These include classic macroeconomic management, now centered in the reform of the Japanese economy, challenges to the international financial system in the light of the recent Asian-initiated crisis, the process of constructing a new international financial architecture, and the means to promote growth and monetary stability in the world economy.

In Chapter 6, on "Japan's Summit Contributions and Economic Challenges", Koji Watanabe argues that for Japan, the annual G7 summit - now G8 - has been, and still is, among the most important international forums for Japanese politics, not just diplomatically, but also for domestic politics. However, macroeconomic policy coordination - one of the key themes since the summit's inception - has had its limits in preventing the Japanese economy from moving from boom to bust in the late 80s and early 90s. One of the reasons might be that summit coordination has tended to be centered on external balance issues. The crucial issue for Japan now is how to deal with the trade-off between economic recovery and structural reform - an issue that the Japanese government failed to adequately handle in 1996-97.

In Chapter 7, "Supervising the International Financial System", Joseph Daniels examines the evolution and globalization of domestic financial systems. The problems and risks inherent in the system are discussed and the recent calls for global supervision and regulation considered. Daniels argues that the G8 and G7 have enjoyed limited successes and, more often than not, have failed to provide an effective leadership role in this issue area. Further, Daniels claims that existing institutions such as the International Monetary Fund (IMF), the World Bank, the Bank for International Settlements (BIS), and the Group of Ten (G10) lack the resources and ability to resolve or mitigate inevitable financial crises.

In Chapter 8, "Promoting Growth in the World Economy", Bronwyn Curtis examines the forces that have forced changes in the economies of the United States and the United Kingdom, and will force changes in the economies of continental Europe. She argues that competition, globalization, and monetary unification will force changes that otherwise would be

politically unpalatable. Particularly in Europe, the constraints imposed by monetary unification and the forces of de-industrialization will bring about structural change in all the various sectors of the European economies.

In Chapter 9, on "Managing the Global Economy", Charles Goodhart discusses the opportunities for reform and policy action in light of the recent East Asian financial crises. Goodhart argues that rigidly fixed exchange rate regimes have proved too fragile for the developing and emerging economies and that financial reform would be needed before adopting a currency board arrangement. Goodhart also argues that financial reform is needed before full capital account liberalization can take place. Additionally he examines the IMF response to the recent crises, which, as he argues, was slow and perhaps inappropriate given the nature of the crises. Goodhart concludes with an interesting perspective on the winners and losers in the crises.

Part III of this volume moves from the financial core of the G7 and global agenda to deal with a broader array of priority issues. It explores how the G8 has coped with the new, once largely domestic or bilateral issues, which intensifying processes of deepening integration have now placed prominently on the international agenda. These include cases, notably investment, where the G7 has long been active but where its recent performance appears to many to be wanting. It also includes newer cases of G7/8 emphasis, such as employment and crime, where productive G7 action is more in evidence.

In Chapter 10, on "Negotiating Multilateral Rules to Promote Investment", Alan Rugman takes up a central issue in a world of deepening integration, in which foreign direct investment is increasing far faster than international trade and in which governments are struggling to create a global regime of rules to govern such investment, from their regional foundations in North America's NAFTA, Europe's European Union, and Asia's Asia-Pacific Economic Co-operation (APEC). Rugman argues that an important topic for the G8 should be how to rescue the Multilateral Agreement on Investment (MAI) from imminent failure. The design and adoption of a clear set of multilateral investment rules should be a priority for the G8 leaders. After exploring the reasons for the political failure of the MAI despite its economic benefits, the Canadian experience with the MAI is used to illustrate the negative side of non-governmental organizations (NGOs) in the MAI process.

In Chapter 11, on "Designing Effective Policies for Employment Creation", Richard Layard argues that the key to conquering unemployment

is to make individuals more employable - improving their appeal to employers and letting their wages adjust to reflect productivity. Problems of employment will not be solved through artificial rationing of work, nor through exposing workers to unrestricted "hire and fire" practices. Progress lies along a middle way between the unregulated labour markets of North America and the overprotected system in Europe.

In Chapter 12, on "Combating Transnational Financial Crime" George Staple takes a close look at how the proliferating problem of financial crime is countered by the existing international legal regime and by the government of the world's largest financial centre, Britain. He highlights the mismatch in a world where money can flow freely on an illegal as well as legal basis, but where the criminal law and capacity to combat it remain nationally based and supported only by very limited international cooperation. In the face of large scale international fraud, the British Government has moved to institute new protective measures nationally, within the European Union, and through the G8. Yet, while Britain offers enhanced assistance to foreign governments conducting international investigations and trials in Britain, there is a need for new international action to facilitate these processes and the assistance Britain needs from foreign governments when pursuing criminals abroad. Moreover, despite G8 action beginning in 1988 and the May 1998 G8 decision to expand the Financial Action Task Force (FATF), there are further measures needed to counter the burgeoning transnational crime of money laundering. Notwithstanding impressive national and European initiatives, Staple concludes, much more could be done, through G8 leadership, at the international level.

## **Conclusions**

As is evident from these chapters, this volume offers a vibrant and diverse array of views about the proper role of the G7/8, the causes of past success, the adequacy of its current reforms, the management of pressing issues, and prescriptions for future action and institutional adjustment. This richness in analysis reflects the initial conviction that understanding the world of the new millennium and the G7/8's role in governing it would be best secured not by imposing a single perspective but by allowing for an open ended and far-reaching probe into past performance and a largely unknown emerging future. Thus these analyses began united only in the conviction that the world of the new millennium could well be different in several important

respects from even the recent past and that the G7/8 was worthy of more intense and critical scrutiny as an institution that could have an substantial role in governing it. Yet beyond these initial premises, and amidst the rich diversity of analysis, argument and advocacy, some common themes emerge.

### *Current Performance*

There is a widespread view that the G7/8 has exhibited a widely varying performance over time and across issue areas - that it has been and can be effective, even though its actual performance of late has often been highly disappointing. The most optimistic assessment comes from John Kirton, who argues that the decade of the 1990s has seen the G7/8 return to the high performance of its early years, and that its consistently strong record means it is poised to emerge as the centre of global governance in the new millennium. A shared if more sober view comes from Kokotsis and Daniels who see the summit making ambitious specific commitments that are complied with in the environment, development and even economic fields. It is thus worth having as a governance mechanism in the international community. Bayne too sees the summit as effective, if not on its first encounter with an issue but eventually as it perseveres to get matters right.

Many others see the G7 as being effective on specific issues at particular times. For Bayne it is in the management of acute crises that the summit excels. For Watanabe it is picking up new issues at an early stage, and in dealing with the Russian issue. Daniels sees the summit taking several well placed initiatives and actions in response to financial risks. For Staple, the G8 decision to expand the FATF to prompt anti-money laundering bodies to be established in broader areas of the world is a commendable step forward.

Yet these occasional successes are matched by a similar number of failures. Bayne asserts that the summit is no better than anyone else in forecasting crises. Watanabe suggests the G7 failed to warn of the possibility of a bust when Japan was basking in asset inflation. And for Daniels, by not handling effectively the present financial crisis, the G8 has demonstrated that it is not an institution of effective global leadership in the area of deepest importance.

Daniels' charge also points to the view that the G7/8 has been an overall failure. Indeed, Daniels concludes that the G7, the G8, and the summit process has not dealt effectively with the most pressing economic

issue of 1998 - the fast-developing liquidity crisis of domestic financial sectors. The most pessimistic assessment comes from Hodges, who argues that repeated G7 failures, for example in multilateral trade liberalization, demonstrate that is not at all capable as serving as a centre of global governance.

### *Proper Role*

In part these varying assessments of the G7/8's performance reflect different conceptions of the proper role the G7/8 does and should play in the global community. The most limited conception of its appropriate functions comes from Michael Hodges. He sees its utility as a club through which leaders of major powers bond with each other, raise consciousness about new issues, set an agenda, spin off initiatives, create networks, prod other institutions to do things, and assist in creating institutions that are suited to a particular task.

Others add additional or more specific functions. Bayne implies that it should also, despite past failures, anticipate and act to prevent crises before they become acute. For Daniels, it has a unique role in the reform of international financial institutions, particularly in bailouts of future financial crises, responsible IMF governance, review of the very need for the IMF and World Bank, and the design of approaches to supervisory coordination. Rugman adds the task of designing and adopting a clear set of multilateral investment rules. Layard feels employment is suitable for the G8 as a central theme. Staple asserts the G8 should provide leadership in securing international cooperation on transnational crime.

### *Causes of Success and Failure*

These varying conceptions of the G7/8's performance and proper role depend on, and point to, different factors that generate success. Here, the major theorists of summit success offer enhanced versions of their familiar theories, while the other authors offer important additions.

Among the traditional theorists, Bayne goes beyond the classic Putnam-Bayne emphasis on American leadership, lessons of the past and domestic coalition support to stress the role of sustained and interactive treatment of recurrent problems. Kirton affirms the importance of concerted power, constricted participation, common principles, and political control by popularly elected leaders (see also Hormats, 1998). But he modifies his

former concert equality model by now pointing to constricted participation that allows for the association of outsiders, intensifying interdependence activated by crisis, common problems as well as principles, and multi-level political control involving ministers as well as leaders. Kokotsis and Daniels continue to emphasize institutional variables at the national and international level and, along with Kirton, political control, but now give greater prominence to the expansion of both the preparatory and follow-up phases of the summits.

Among the other authors, Koji Watanabe argues that an effective multilateral surveillance system that allows members to share sufficient knowledge of the political as well as economic dynamics of the country concerned is a requisite for effective G7 macroeconomic policy coordination. Also important is a necessary focus on economic policy issues that are more relevant to external balances, and the psychology of popular and market optimism and pessimism that can render the effect of political messages emanating from the summit perverse. Daniels sees failure arising when the G7 delegates to international organizations, such as the IMF, that are ill-equipped to deal with particular issues. Hodges too stresses the centrality of international organizational capacity, with the assured budgets, secretariats, permanent employees, continuous informal interactions, and well-tailored expertise they contain.

### *Proposals for Reform*

These assessments of performance, proper roles, and causes of success and failure underlie and inspire various suggestions for G7/8 reform. Together the list of proposed reforms offered by the authors covers the full array of traditional dimensions, from membership and agenda to the degree and form of institutionalization (Merlini, 1994). Yet they also raise new issues - such as the engagement of civil society and the use of new technologies. They also show that the innovations of the Birmingham models are largely endorsed, but not fully embraced. The debate on G7/8 reform is thus sure to continue.

On the perennial question of membership, Hodges proposes that outside guests be invited on an ad hoc basis, in order to alleviate the sense of exclusion and enhance the legitimacy of the G7/8. He further suggests that the G8 create a formalized link with China, given the latter's growing importance to the world economy.

The question of the appropriate G7/8 agenda is the subject of dif-

fering views. Hodges proposes a focus on special themes and topics, as at Birmingham in 1998, but warns of the dangers of concentrating on too little. Kokotsis and Daniels, with a view to improving members' compliance with G7/8 commitments, present several specific suggestions about the agenda. They agree with Hodges on the need for less overload and greater focus on issues where the G7 can make a difference - on domestic policy issues where synergy with their internationalized equivalents can be achieved; where means-ends relationships are well understood and accepted; where leaders exercise real as well as formal authority; and where adequate domestic institutions exist for implementation.

There is also a lively debate on the institutionalization of the summit. Bayne, once cautious, now approves the extension of the lower-level G8 apparatus, in ways that make it easier for leaders to delegate. Kokotsis and Daniels, raising doubts about Birmingham's innovative leaders-only format, note that compliance is more likely to come if the ministers are in attendance on site. Hodges favours informality, suggesting the summit process, as at Birmingham, should let leaders retreat to an isolated country home to discuss what they want by themselves. Goodhart raises the issue of institutionalization and automaticity at the domestic level, wondering if members would be prepared to put in their bond covenants clauses that would automatically convert fixed interest rates into equity when financial crisis looms.

Bayne raises two newer issues of summit reform. He argues that the G8 should mobilize its democratic legitimacy by looking beyond government, particularly by forging better links to the private business community. He further proposes that the G7/8 make better use of Internet-related technology to argue for the benefits of globalization and respond to the anxieties about it that the public in member countries have.

Despite these differences, none of the authors takes issue with the basic presumption that the new millennium will bring not just a new century in a chronological sense but also, and far more importantly, a transformed real world. And despite often severe criticisms of the G7/8's recent performance and current configuration, none suggest that it should retreat from the challenge of providing leadership in managing the transition into this new world. In that particular sense, all concur that the G7/8 can become an effective center of global governance as the new millennium dawns.

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