

KEY POINTS OF "THE GROUP OF SEVEN AND THE EUROPEAN COMMUNITY"

- * The Tokyo Summit taking place July 7-9 offers the G-7 the opportunity to revitalize not only their economies but also the reputation of the G-7. The main points on the agenda are: 1) economic assistance to Russia; 2) signing of a preliminary market access agreement in order to pave the way for the successful conclusion of the Uruguay Round by December 15, 1993; and 3) increased economic and monetary coordination in order to spur their economies.
- * The \$28.4 billion in G-7 economic assistance pledged to Russia at an emergency meeting April 14-15 has been designed to overcome the weaknesses in previous assistance packages. The G-7+1 meeting, at which President Yeltsin will be present, will discuss ways to improve the effectiveness of the assistance. Using experience gained from previous aid packages, the G-7 now realizes that assistance must be visible and targeted. The step-by-step approach of this latest package will allow aid to be disbursed as economic reforms are forthcoming. Requirements for disbursement are more flexible since the strict conditionality of earlier packages has been reduced. The critical \$4.1 billion in the initial support package for stabilization should be disbursed within the next 3-6 months.
- * The planned signing of a preliminary market access agreement within the realm of the Uruguay Round of the GATT negotiations will be the crucial step in order to successfully conclude the long-running Uruguay Round by December 15, 1993. The 4-Party Group has met several times in order to reach an accord in the areas of industrial products and services.
- * Other obstacles to the conclusion of the Round exist including national treatment for services as well as the issues of countervailing duties, tariff peaks, and textiles. The question of establishing a multilateral trade organization (MTO) is another point still to be answered to the satisfaction of all Contracting Parties. While the EC views the MTO as being crucial to keep the UR functioning, the US is concerned about the implementation of a powerful new international trade organization.
- * Peter Sutherland, the new GATT Director, may be able to reduce the existing obstacles by reinvigorating the Round through his style of negotiation. He has stated his belief that "the time for platitudes about free trade from the leading industrial nations is over." These members must increase their cooperation in order to enhance the strength of the global economy.
- * Coordination of monetary policy with the objective of encouraging steady growth through stable exchange rates has arguably been the primary purpose of the G-7, and specifically the G-7 finance ministers and central bank governors group. This group has been moderately successful in achieving coordination of monetary policy. Credit for their achievements is due to the high level of communication that they are involved in. Recently they granted the IMF the power to play watchdog over the its members' exchange rate policies to ensure that monetary crises are avoided.

* Stagnant economic conditions that have plagued the members of the G-7 since late 1990 are predicted to continue throughout 1993. The IMF has predicted a growth rate of only 2.2% for 1993. Persistently high unemployment has become of greatest concern among the Group. While the US will most likely not implement a stimulus program, both the EC and Japan have already done so. Currently the EC is focusing on increasing employment. They have approved the ECU 35 billion Edinburgh Growth Initiative as well as an additional substantial job-creating initiative. The Copenhagen Summit will discuss ways to promote employment and competitiveness. Japan has implemented a \$120 billion stimulus package which is based on spurring domestic demand.

* The current '*de facto*' position of the EC in the G-7 will need to be changed in the near future. The Maastricht Treaties, which contain the necessary legislation for economic and political deepening of the Community, as well as the steps being taken to widen it through the accession of states, will necessarily strengthen the EC. The start of Stage III in the process towards Economic and Monetary Union (EMU) will effectively change the G-7 into the G-4 where monetary matters are concerned. The increase in the economic power that the EC already possesses will make it an ever more formidable partner in the G-7 requiring a '*de jure*' position.

* The future of the G-7 must include increased levels of cooperation and coordination. The lack of follow-up concerning issues discussed at the economic summits has caused their credibility to be low. Recently there have been calls for a revision in the G-7 process and particularly the summits. Originally meant to be an opportunity for G-7 leaders to have close and open discussions on issues of common concern, over the years the summits have turned into massive publicity events. Changes to make the G-7 an effective and more viable forum for discussion will be crucial in order for them to meet the challenges that they will encounter in the future.

Executive Summary

The upcoming G-7 Summit, to take place in Tokyo 7-9 July, will offer the leaders of the 7 largest industrial countries as well as representatives from the EC the opportunity to enhance both the global economy as well as the tarnished image of the S-7 and G-7 process of cooperation and coordination. The main points on the agenda will be: 1) economic assistance to Russia; 2) the signing of a preliminary market access accord which will open the way for the successful conclusion of the UR; and 3) increased economic and monetary coordination in order to spur their economies. This summit represents a crucial point in the history of the G-7. If they seize the opportunity and make significant progress in these areas, they will perhaps be able to regain credibility and even give new momentum to the G-7 process.

Created in response to the economic crisis of the early 1970s, the summit process has changed dramatically over the years. Originally meant to be a 'chat among friends' in order to discuss coordination of economic and monetary policies, the summits have become massive publicity events. Unfortunately, as the structure of the summits changed, their substance suffered. The impact, and indeed credibility, of the summits is considered negligible.

While the activities of the Summit Seven cannot be assessed in a positive light, the year-round process of cooperation and coordination in the economic and political spheres has proven to be moderately useful. The G-7 assistance to Russia as well as the G-7 implemented but G-24 coordinated assistance to Central and Eastern Europe, have provided critical support to these emerging regions. Using knowledge gained from previous experiences, the G-7 and international financial institutions have designed a package that has every potential to provide "pragmatic, visible, tangible, and effective" assistance to Russia.

In matters concerning trade-related issues, and particularly the GATT, the record of the G-7 has been scarred. Their work towards completion of both the Tokyo and current Uruguay Rounds has to date accomplished little. However, the recent progress in reaching a preliminary market access agreement, which is planned to be signed at the Tokyo Summit, provides new optimism for the reputation of the G-7.

The primary reason behind the formation of the G-7 was, and still is, the coordination of monetary policy. Steady growth through stable exchange rates has been the objective of the G-7 finance ministers and central bank governors group. Although setbacks have been encountered, they have succeeded in achieving a remarkable amount of coordination. The role of the EC within the G-7 will change profoundly with the start of Stage III of EMU. With the EC gaining the right to represent the Member States in monetary matters, the G-7 finance group will effectively be changed to the G-4.

Although not originally topics of the G-7, due to the interdependence of economics and politics, the issues of political cooperation and security affairs have been discussed to an ever greater extent by the G-7. Among the most effective accomplishments in these areas have been the declaration against terrorism, the Missile Technology Control Regime, and their efforts to extend the Treaty on Non-Proliferation of Nuclear Weapons. This year's Summit will also continue to act as a lobby on the Bosnian issue.

The future of the G-7 will almost assuredly include a revision of its current structure. Many who are closely involved with the G-7 process, including President Bill Clinton, Prime Minister John Major, and US Treasury Secretary Lloyd Bentsen, have called for changes to make it a more viable forum for discussion and action. Additionally, the '*de facto*' membership of the EC will need to be upgraded in order to adjust to its ever strengthening role in international affairs. The participants of the G-7 must increase their abilities of cooperation and coordination. Only by working together as partners will they be able to achieve prosperity.

The way has been opened for a new partnership of shared responsibilities, not only in Europe, which at long last is reunited, but also in the Asia-Pacific region and elsewhere in the world. We are entering an era where confrontation has given way to cooperation.

This new partnership will take many forms. The former adversaries of East and West will cooperate extensively on economic, political and security issues.

-Excerpt from the Political
Declaration of the 18th Western
Economic Summit, July 6-8,
1992

Table of Contents

I. Introduction	1
II. The Summits	1
A. The Creation of the Summits	
B. The Contents of Summits	
C. The Impact of the Summits	
D. The Process of Preparation	
E. The European Community in the G-7	
III. The European Community as Global Partner	7
IV. Economic Overview Among the G-7	8
A. The Individual Situations	
B. Three Similar Responses	
V. Cooperation and Coordination Among the G-7	10
VI. Economic Assistance Packages	12
A. The G-24 Assistance Package	
B. Cooperation Lacking Coordination	
C. The Terms of Trade	
D. The Potential for Improved Coordination and Effectiveness	
E. Trade vs. Aid	
VII. Trade Issues	15
A. The Background	
B. The UR	
1. Progress at Long Last	
2. Light at the End of the Tunnel	
C. The Summit and Beyond	
VIII. Economic and Monetary Issues	20
A. The Process	
B. The Background	
C. Europe as a Model	
D. The Future	
IX. Political and Security Cooperation	23
A. The Process	
B. Political Cooperation	
C. Security Cooperation	
D. The Future Potential	

X. G-7 Assistance to Russia - A Case Study	26
A. The Background	
1. The First Moves Forward	
2. Progress Picks Up	
3. A Major Step	
B. The Tokyo Summit: New Developments and Directions	
C. The Repercussions of Assistance	
XI. The Future Prospects of the G-7	31
XII. Conclusion - Assessing the Group of Seven	32
XIII. Appendices	
A. Summit Chronology 1975-1992	
B. Global Partners in Trade: A Comparison	
C. Selected Economic Indicators	
D. International Organizations	
E. Breakdown of 1993 G-7 Assistance Package to Russia	

The current world scenario calls for a new agenda in which cooperation and coordination will be the crucial aspects. The Group of Seven (G-7)¹, consisting of the seven economically largest industrialized countries together with the ever increasing participation of the European Community (EC), has the utmost potential to play the key role in carrying out this agenda.

Behind the headline grabbing actions of the past several months such as the \$43 billion assistance package pledged to Russia, the promise of structural reform, and the probable implementation of a final time-table for the completion of the Uruguay Round, there exists a firmly established process for coordination in economic and increasingly political and security policies. The culmination of G-7 activities are the annual summit meetings. During two days of intensive discussion, the heads of state or government of the member countries as well as the representatives of the European Community accompanied by their finance and foreign ministers, assess the economic and political situations and map out the routes for the next year which are presented in formal declarations. However, for all their obvious potential, the record of these summit meetings has been mixed. The biggest factor now at stake is a lack of credibility which threatens to undermine the summit process.

This year's G-7 Summit, to be held in Tokyo on 7-9 July, must therefore grasp the opportunities to intensify cooperation and coordination that will be so crucial in expanding the world economy. These opportunities have made themselves visible in the agreed upon need to resist protectionist tendencies which have been symptomatic of the current economic slowdown; in the need to solve continuing bilateral disputes threatening the completion of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT); and also in the assistance package promised by the G-7 with which Russia plans to make its entrance into the international economy. With a concerted effort to implement the agreed upon points on a new agenda which takes note of today's realities, the G-7 summit leaders will not only prove the credibility of these annual meetings and, therefore, the policies of coordination and cooperation, but also help to create a greatly strengthened economic environment.

The objectives of this study are threefold: 1) to systematically review and evaluate the history and processes behind the G-7 summit meetings, 2) to examine the more routine policies of coordination in the economic and political spheres that form the basis for relations between its participants, being mindful of the domestic pressures each is facing, and 3) to present a case study of the Group of Seven's assistance package to Russia as an example of successful use of cooperation and coordination. Additionally, the unique position of the European Community as the 'eighth member' of the Group of Seven will be discussed in the context of its influence in this exclusive club as well as in its relations with the non-European members. These aspects of the G-7 process will then be discussed with an eye on the future in order to determine the potential for an improved record beginning with the 1993 Summit.

The Summits: Creation of the Summits

Recent summits have changed dramatically both in style and substance from the first few in the mid-1970s. In strong contrast to the original formula based on rather quiet and informal meetings, the past several have included a formalized schedule of preparation and massive media coverage.

In the years immediately prior to the convening of the original Rambouillet Summit in 1975, the western economies had suffered a succession of events that left their finance ministers searching for solutions, and in the absence of any policies of coordination, acting

individually in order to combat domestic problems. First was the collapse of the Bretton Woods system which had formalized the coordination of exchange rates since 1944. Next came the first oil crisis which quadrupled the price of oil in so many months. Following these two shocks, the western economies plunged into recession and unemployment soared.

The first step to replace the elements of economic coordination lost with the breakdown of the Bretton Woods system was taken by George Schultz, who at the time was the U.S. Treasury Secretary. Beginning late in 1973, he invited his counterparts from the larger western European countries, and soon after Japan as well, to a series of very private meetings. These discussions, which ranged across many issues relevant to the international political economy, became known as the Library Group meetings.

After becoming president of France in 1974 Valéry Giscard d'Estaing, an original member of this group, began to press the idea of a meeting which would include the heads of state or government of the largest western economies to be held in the same format as the Library Group. As Robert Putnam, author of several books on the G-7 summit process puts it, the purpose behind the planned first meeting came from the belief that "only heads of government could rise above petty bureaucratic concerns and overcome the increasing fragmentation of international negotiation...[needed to] offset pressures for economic nationalism."²

The first meeting of what was to become an annual affair took place in Rambouillet, France from the 15th to 17th of November, 1975. Gathered together were the heads of state or government from the United States, France, West Germany, the United Kingdom, Italy, and Japan (Canada and representatives of the European Community began participating in 1976 and 1977, respectively). When meeting together for the annual meetings, they are collectively referred to as the Summit Seven (S-7). In their own words, the leaders had "held a searching and productive exchange of views on the world economic situation, on economic problems common to our countries"³ and had met with the intention of increasing cooperative measures in order to find solutions to these problems.

As the host of the Rambouillet Summit, President Giscard d'Estaing had hoped to keep the informal atmosphere of the Library Group meetings. However, even though the next several summits were relaxed in tone when compared to the later much more pre-staged affairs, the feeling of being among close colleagues that had been so prevalent at the Library Group discussions had disappeared.

Nevertheless, the first summit can be considered successful in that it helped to stabilize the international monetary system (problems concerning exchange rate differences between the U.S. and France were solved) as well as established a process in which each member's progress in economic and monetary coordination would be subject to an annual review at the highest level. The Group of Seven summits represent the first time that regularly scheduled meetings of a trilateral nature involving heads of state or government have occurred.

The Contents of the Summits

Critics of the G-7 summit process claim that it is "past its prime" and that the meetings "suffer from a glut of glitter and a shortage of substance."⁴ An examination of the past 18 summits indeed shows varying degrees of success in implementing the policies proclaimed in their declarations. However, whether this is due more to a lack of true intent or interest on the part of the leaders, to bureaucratic systems which are adverse to shifts in policy, or to extraneous elements remains to be determined.

A content analysis of past summit communiqués reveals an amazing degree of

consistency in subject matter (see Appendix A for a chronology of G-7 summit dates, locations, and their objectives and actions). Initially limited to economic and monetary issues related to the energy crisis, beginning with the 1979 Tokyo Summit areas discussed expanded to cover political developments and environmental concerns. Rapid response to newly developing issues can also be detected.

From 1975 - 1980 the summits were concerned for the most part with the ongoing oil crisis and the resulting need for cuts in consumption of oil as well as finding alternative energy sources. At the 1979 summit, the S-7 went so far as to set actual quantified levels for oil imports. However, the oil conservation measures adopted at the 1980 summit were to be more effective.

On the economic front continuous references to reducing inflation and unemployment were made. In monetary matters the participants pledged to intervene in order to avoid extreme fluctuations in exchange rates. In response to the Soviet invasion of Afghanistan and the taking of U.S. diplomatic hostages in Iran the 1980 summit issued political statements condemning these acts of violence.

The summit process encountered serious setbacks during the 1981 Ottawa Summit and especially the 1982 Versailles Summit. Even though the S-7 recognized that their economies now required growth, personal differences in non-monetary areas diverted the attention of the leaders and, therefore, little action was taken. The extent of the 'no-new-policy' attitude that prevailed in Ottawa was best summed up by French President Mitterrand when he stated that "not one line" had been changed.⁵ The turmoil over East-West trade that occurred at Versailles greatly disrupted the congenial atmosphere of past summits. Not only did the two accords on trade and monetary matters that were agreed on break down a few weeks after the summit, but there was even fear that the summit process itself would collapse.

The following three summits stated as their objectives the reduction of inflation, interest rates, and unemployment. In order to combat the rise of protectionism, a new round of GATT talks was supported at the 1985 Bonn Summit. In the political declarations, references were made to a desire to see the increase in dialogue with the Soviet Union.

Action to improve coordination among the Group of Seven, especially in the area of multilateral monetary surveillance, was emphasized during the summits of 1986 - 1988. As the 1986 Economic Declaration states, the leaders agreed to "form a new Group of Seven Finance Ministers...which will work together more closely and more frequently in the periods between the annual Summit meetings."⁶ At the 1987 Summit in Venice, they encouraged this new group to increase policy coordination and to work closely with the IMF. These steps to delegate the issue of monetary coordination to their finance ministers and central bank governors were taken just in time. They would enable the political leaders to turn their attention to the opportunities that would soon be developing in Central and Eastern Europe.

Three themes overwhelmingly dominated the Western Economic Summits from 1989-1992: 1) the urgent need for economic assistance packages in Central and Eastern Europe, 2) the completion of the Uruguay Round, and 3) environmental concerns.

At the 1989 summit in Paris, the G-7 requested the Commission of the European Communities to coordinate assistance to Poland and Hungary. The establishment of the PHARE program and expansion of G-24 assistance to other reforming Central and Eastern countries was commended at the 1990 Houston Summit. Concerning assistance to the (former) Soviet Union, the leaders approved the proposal of a study to determine how best to support ongoing reforms. Reflecting the importance the G-7 attributed to the changes occurring in the (former) Soviet Union, in 1991 Soviet President Gorbachev and in 1992 Russian President Yeltsin were invited to attend special sessions of the summits. However,

neither received any substantial offer of economic assistance.

Beginning with the 1989 summit, the G-7 stated their commitment to originally progress and then to actually complete the Uruguay Round in each of the next four economic declarations. A successful conclusion to the trade talks was foreseen by the end of 1990, 1991, and 1992. In the 1991 economic declaration, the leaders went so far as to pledge that they would "each remain personally involved in this process, ready to intervene with one another if differences can only be resolved at the highest level."⁷

"The first green summit" was how *The Economist* described the 1989 Paris Summit.⁸ Indeed, eighteen points were dedicated to the topic of the environment emphasizing the urgent need for international cooperation. Taking place soon after the Rio Conference on the Environment, the 1992 Munich Summit noted the importance of the event and called on non-G-7 countries to help in ratifying the Climate Change Convention by the end of 1993.

The Impact of the Summits

As has already been noted, and is further self-evident after a comparison of stated intentions and actual accomplishments, the impact of Western Economic Summits has been negligible. To describe the past summits would seem to require a turn on an old adage: "Words, not deeds." As a result of the lack of concrete measures that have come out of these annual gatherings, and too little follow-up on those that have been made, many view them as having lost their essential ingredient. In a recent Princeton University Study that assessed the summit declarations from 1975-1989, the authors write: "Although the verdict differs somewhat by summit and issue, we conclude that the credibility of summit undertakings must generally be rated low."⁹

Inherent limitations exist. The S-7 gather for a two-day meeting with an agenda that allows little opportunity for free and open discussion. The participants of the original Library Group, as well as the heads of state or government that met at the first few summits, were able to gain a much more personal understanding of the domestic pressures their counterparts faced, therefore making mutual decisions more realistic and workable.

External factors also play a part in limiting the effectiveness of stated objectives. For example, the time and resources consumed by the 1991 Gulf War as well as the 1992 U.S. presidential campaign and the EC Maastricht Treaty referendums most likely diverted the majority of participants from placing the necessary emphasis on the completion of the Uruguay Round.

However, the purpose of the S-7 meetings should not be judged solely by the tangible results nor should the declarations be the measure of their success. They are still the only opportunity for the leaders of the major seven industrialized countries and the representatives of the EC to gather face-to-face and discuss topical economic and political issues common to all. The summits also serve as an important deadline for the completion of policy programs involving the participants.

Putnam and Bayne note that the S-7 see their role not so much to negotiate and implement detailed policies as to provide an overall strategy for their countries to pursue. They accomplish this in three principle manners: "1) endorsing general principles, 2) promoting individual commitments by summit participants ..., and 3) giving impulses to wider negotiations in other bodies."¹⁰ If one weighs the impact of the summits by these measures, their record is somewhat improved.

The positive impact that the S-7 meetings have had may best be stated in their own words: "We ... believe that the economic summits have strengthened the ties of solidarity, both political and economic, that exist between our countries and that thereby they have helped to sustain the values of democracy that underlie our economic and political systems."¹¹

The Process of Preparation

Given that the Western Economic Summits are the annual culmination of Group of Seven activity, a glimpse into the process that leads up to these meetings is crucial to understand both the format and content of the summits as well as to see where the potential for increased cooperation and impact lie.

In terms of organization, the summits are grouped into seven-year cycles with the location of the annual meetings determined by an established schedule (i.e., France, UK, US, etc.). The host country assumes the chairmanship of that year's summit and is responsible for the events that accompany the meetings.

Beginning already with the 1976 summit, the preparatory process became increasingly more intense and institutionalized. Currently it is a year long process involving hundreds of people (some full-time), many meetings both national and collective, and hours of patience-testing negotiations. Although the exact formula differs somewhat by country, there exist several identical elements as well as substantial forums for coordination.

The key to the process are the personal representatives, known as 'sherpas'. At one time personally chosen by the heads of state or government, recently the duty has come with a certain job title. In the case of the President of the Commission of the EC, the *chef du cabinet* is assigned the responsibility. For the majority of the other participants (including the US and UK), the highest economic affairs official in the foreign ministry will be the sherpa. These people, who are senior policy-makers with open and direct access to their respective head of state or government, are responsible for the entire process of preparing their state's agenda and coordinating it with those of the other members. With the increasing complexity of the process over the years, it was necessary for each state to substantially expand the original format to include several 'deputy sherpas' as well as a three-member summit 'task-force' made up of representatives from the executive department and the foreign and finance ministries. Additionally, most state agencies that deal with summit topics are also involved through participation on special committees.¹²

The role of the relevant international organizations in the summit preparations must also be noted. The summit process has been described as "exerting a gravitational pull on all international discussions involving the IMF, the Organization for Economic Cooperation and Development (OECD), the GATT, as well as bilateral and multilateral contacts among the summit countries."¹³

The extent of this pull can be clearly witnessed by the recent increase in the level of activity at the bilateral (May 7th US-EC Troika meeting), multilateral (May 14th and June 2nd Four-Party Group meeting between the US, EC, Japan, and Canada, with one additional meeting scheduled before the G-7 summit), and international organization (April 28th IMF/WB meeting with the G-10 finance ministers, and the June 2-3 OECD meeting) levels. Focusing primarily on topics to be discussed at the upcoming Tokyo Summit, the results of these meetings help define the agenda as well as the probable outcome of the summits.

The summits themselves have become well-rehearsed and neatly packaged publicity affairs, albeit with the approval of the leaders. The importance given to the media at the

summits is reflected in the work of each participant's official spokesperson. The job of this person is to whip up support for their government's position and to coordinate all coverage of the event.

As may be assumed from the preceding brief description of the preparation involved in the annual summits, the process allows little room for spontaneous propositions on behalf of the leaders during their time together. Future summits and their impact could be made more substantial by a reform in the summit process. There has been a growing amount of self-doubt among recent participants. While they agree that the networking that takes place at the meetings is very important, substance has been lacking. Reform in the shape of a scaling-down of procedural protocol in order to increase the effectiveness of the summits may occur as early as the 1994 summit in Italy.

The European Community in the G-7

The important role that the EC currently plays within the entire G-7 framework reflects its growth in influence and its legitimacy to speak with one voice. Indeed, the success of the single market and continuous progress towards 'an ever closer union' in the spheres of economic, monetary, and political activity set good examples of the merits of cooperation and coordination which the existence of the G-7 is premised on. However, the EC was not invited to the S-7 meetings until 1977, and even then encountered discrimination in its participation for many years.

Following the 1975 Rambouillet Summit, the EC as well as the individual member states voiced their indignation over being excluded from this new forum for multilateral discussion. The smaller states feared that they would become second-class members and lose the strengthened voice they had gained within the EC. The Community, believing that the summit process would diminish its role, was able to base their complaint on a legal component. The 1957 Treaty of Rome, which established the European Communities, grants the EC the sole right to speak for its members on certain economic issues, including international trade and anti-protectionist measures. Since the four European members of the G-7 represented themselves in all economic and political areas at the summits, they were in violation of the treaty.

The European Parliament, who was by far the most active proponent of EC participation among the Community institutions, initiated debate on the subject almost immediately after the first summit. In March 1977, the European Parliament presented a resolution, fully backed by the Commission, that demanded the presence of representatives of the EC from the Council and the Commission at the London Summit. The European Council meeting immediately prior to the summit encountered new pressures from some of the smaller states but eventually agreed that the presidents of the Commission and Council should attend the parts of the summit where the EC had competence. Final approval for this procedure was made later that year.

Even though the non-European members of the G-7 never opposed the participation of the EC, disgruntled voices on the extent of their activity, especially in the case of political issues, continued to be heard from some of the European members. It was only at the seventh summit held in Ottawa in 1981, that the representatives of the EC gained access to the political discussions.

While there were still some administrative difficulties which followed (i.e., not enough chairs at the meetings and confusion on who to invite), the EC has become a full participant in the G-7 and S-7 process. The EC represents the countries of the EC which are

not members of the G-7 and at the same time attempts to coordinate their views with the four member states which are full participants. Although the EC does not bring a formal mandate to the summit meetings, it is attempted to present as coherent a package as the views of all member states allow. This is encouraged through discussions at the European Summit which takes place immediately prior to the Western Summit. Working groups within the Commission draw up the institution's economic and political declarations. After the summit, the Commission will report the results to the Committee of Permanent Representatives (COREPER). When the summit is hosted by a European member of the G-7 who at the same time holds the EC presidency, only the President of the Commission accompanied by the Commissioners responsible for external economic and political affairs will be in attendance. In the case of either a non-European member or a European member not holding the presidency chairing the summit, the prime minister of the EC country currently holding the presidency will also be invited.

Participation by the EC in the Group of Seven has resulted in three principle effects as summarized by Bonvicini and Wessels:

1) the regular meetings of the Western summits 'forced' all Community countries to elaborate some common guidelines for international economic policies, ...

2) have strengthened the *de facto* role of the Commission by actively involving it internally in the Community preparations and externally in the discussions and bargaining process of summitry itself, ...

3) relations between participating and non-participating Community countries seem not to have deteriorated ... [since] the non-participating countries apparently have felt sufficiently involved in the preparation and implementation of summit decisions.¹⁴

The impact of the EC on the activities of the G-7 has grown parallel to the increasing influence the Community has gained in world affairs. Most visible has been the successful coordination of G-24 aid to the countries of Central and Eastern Europe.

The European Community as Global Partner

With 56.8% of Danish citizens voting to accept the Maastricht Treaties on 18 May, the future of the European Community has been given new life, with only ratification by the United Kingdom remaining to decide its fate. The articles of the Treaties provide for closer cooperation in economic, monetary, and political areas in order to progress to an eventual European Union. However, even at its current stage the European Community has become a member of equal-footing in the trilateral relationship forming the basis of the G-7. Especially in the economic sector, the EC has long played an important role in global trade. (See Appendix B for Community trade statistics comparing the EC, US, and Japan). As the Community has grown in stature, it has also sought to increase its relations with the United States and Japan to create a closer partnership.

The United States and the European Community have always enjoyed a special relationship. On the issue of further European integration, the US has shown its full support

of Community progress towards *effective* integration. In 1989, with visible action towards the successful completion of the Single European Market pointing to intensified EC/US relations, the first moves towards a more formalized relationship were made by then President Bush and US Secretary of State Baker during two separate speeches. On 23 November 1990, after rounds of discussion on both sides, the US and EC signed the Transatlantic Declaration. This agreement provides for regular bi-annual discussions between the presidents of the US, EC Council and Commission as well as a whole host of meetings at the ministerial level. Stated within the Declaration are pledges to consult each other on important issues common to both in order to bring their positions closer to one another as well as to pursue increased coordination on economic and trade issues and in assistance to Central and Eastern Europe.

According to an official at the US Mission to the EC in Brussels, the future agenda of EC/US cooperation includes increased emphasis on regional and Third World development, as well as in issues involving the environment. As concerns future EC/US formal institutional relations, the official noted that the Transatlantic Declaration is not considered the end point and that the US views bilateral relations between the two as being governed by the state of the EC.¹⁵

While the Transatlantic Declaration has up to now been carried out to the letter, there now seems to be a desire on both sides to promote the spirit of the document. In a recent development late this past April Denmark, who holds the EC presidency until the end of June, announced its goals for achieving stronger economic and political ties with the US. Danish Foreign Minister Niels Helveg Petersen stated that "We see new opportunities in our relations with the US. It's necessary to revitalize the world economy. The EC, United States, and Japan have a vital role in this respect."¹⁶ Echoing the same thoughts, following his May 7th meeting with Commission President Jacques Delors, President Clinton emphasized that the US considers the EC a partner in global affairs and said that this perspective "guides this administration".¹⁷

Relations with Japan have also become closer in recent years. The Joint Declaration signed between the EC and Japan in July 1991 was the real starting point of formal relations between the two. According to an official at the Japanese Mission to the EC, the declaration, which is similar to the Transatlantic Declaration in content, signalled the readiness of both to become global partners. Japan wished to strengthen the third leg of the triangular relationship that exists between the US, EC, and Japan. The Joint Declaration is based on the concept of "sound competition and constructive cooperation."¹⁸ Although currently relations between the two have been focused on trade issues, it is expected that overall relations will continue to build gradually. The EC and Japan currently have cooperation projects in areas concerning among others the environment, science and technology, energy, and culture.

Economic Overview Among the G-7

In order to better understand the framework in which the individual G-7 members must operate as well as attempt to cooperate, the current economic situation and accompanying domestic pressures each is facing must be outlined.

The hopes for an economic recovery that was to be led by the United States in 1993 have been tempered by the unexpectedly sharp drop in its growth figures from 4.7% in the 4th quarter of 1992 to only 1.8% in the first quarter of this year. Stagnant economic conditions that have plagued the members of the G-7 since late 1990 are predicted to continue throughout 1993 (see Appendix C for selected economic indicators). The International

Monetary Fund (IMF) recently reduced its prediction for this year's global economic growth rate from 3.6% to only 2.2%

The Individual Situations

President Clinton has called on Europe and Japan to become partners in growth to help stimulate the global economy. However, these areas are suffering from their own deep economic problem. At the meeting of G-7 finance ministers and central bank governors that took place late in April, German Finance Minister Theo Waigle stated that Germany's recession was "deeper than expected" and that recovery would take longer than was originally predicted.¹⁹ Adding to the gloom emanating from Germany, Bundesbank President Helmut Schlesinger's remarks that the recent small cuts in the German interest rate would not likely continue beyond the current 7.25% was sure to have caused disappointment among the gathered officials. Except for the United Kingdom, which is showing some signs of beginning its climb out of recession, the other members of the European Community appear to be caught in a deepening recession. The average growth rate in the EC, predicted in March this year to be 0.8% in 1993 was revised in May to be 0.0% as compared to 1.1% in 1992.

Japan is also undergoing domestic woes. According to one report, it is "suffering its most worrying economic slow-down since the second world war."²⁰ Its current trade surplus has become a point of contention among the other members of the G-7. The rate of growth for 1993 has been predicted to be only 1%, a decrease of 0.5% from 1992.

Persistently high unemployment, due to the strains it places on both society and government budgets, has become the greatest concern among the Group. Figures for 1992 are as follows: EC - 9.4%; US - 7.2%; Japan - 2.1%; and Canada - 11.2%. The 1993 *Annual Economic Report of the European Community* states that the predicted 1993 unemployment rate for the EC of 11% will be at a level not seen since 1985 and that the "gains made during the last five years of the past decade will have been lost again in the first three years of the 1990s."²¹ In a recent study by the European Parliament, it is estimated that in order to prevent the rise in unemployment there must be economic growth of at least 2.5%.²² This would indicate a continued rise in unemployment for all G-7 participants.

Three Similar Responses

In order to break the downward spiral of recession and unemployment as well as the accompanying dangerous decline in consumer and industrial confidence, the European Community, U.S., and Japan have each developed economic stimulus packages.

At last December's European Council meeting (the twice yearly summit of EC heads of state and government), a package known as the Edinburgh Growth Initiative was presented. This plan, which was approved by the EC Finance Ministers April 19, 1993 and is to be implemented later this year, involves participation at both the national and Community levels. Valued at ECU 35 billion it is a supply-side package which focuses on increases in public and private investment, additional assistance for small-and-medium-sized enterprises (SMEs), job training programs, and places an additional emphasis on market-oriented wages and structural reforms in order to create a more competitive environment. Currently, the Commission of the European Community is preparing an additional substantial job-creating initiative to be included in the overall growth package framework. However in a recent address to members of the European Parliament, President Delors stated his belief

that economic growth by itself will not lead to a sufficient decrease in unemployment. A complete restructuring of Europe's employment structure is needed to not only increase employment but also competitiveness with the US and Japan.

The Clinton Administration announced both a five year 'New Directions' economic plan as well as an economic stimulus package. Stating that it was a "long-term economic plan, no short-term miracles,"²³ President Clinton rapidly received Congressional approval for his budget but is still attempting to get his entire plan approved. The plan, which focuses on investing in the future of the United States, places emphasis on job training, education, and improvement to existing infrastructure. A major point is that it includes reducing the often criticized federal budget deficit by \$500 billion over a five year period through a combination of spending cuts and tax increases. More controversial was his \$16.3 billion economic stimulus package. Designed to quickly create new jobs through such means as public works initiatives and summer youth jobs, it was halted in the U.S. Senate. Many doubted the need for such a stimulus. President Clinton offered a scaled back \$12.2 billion package which is currently being studied by Congress, but is not expected to receive approval.

Japan has recently added to its first stimulus package which was announced last Autumn for a combined fiscal injection of 13.2 trillion yen (\$120 billion). This new stimulus package is based on spurring domestic demand instead of increasing exports. The OECD has predicted that the Japanese economy will recover before 1994. Nevertheless, both the United States and the IMF believe that Japan must still take further action in order to decrease a trade surplus that grew 26.2% from 1991 to 1992 and is estimated to reach \$160 billion this year.

However, the key to improving the economies of not just the participants of G-7, but indeed the entire global economy, is the successful conclusion of the Uruguay Round. Most people involved would agree with the feelings of President Clinton that the "round has dragged on entirely too long."²⁴ It is estimated that once it is in operation, the Uruguay Round could bring about an increase of \$5 trillion in world output over the next 10 years.²⁵ Therefore, the GATT directed program is by far the most crucial economic stimulus package that can be implemented.

Cooperation and Coordination Among the G-7

The growth of interaction between the EC, US, and Japan on a bilateral level has created a tripartite relationship in which each participant is approximately equal. Parallel to this increasing globalization is the growing trend towards regionalization as seen in the emergence of the EC/EFTA into a European Economic Area (EEA), the North American Free Trade Agreement (NAFTA), and the rapidly forming economic region in Southeast Asia. The heightened form of interdependence that exists between both the larger players as well as smaller players on this expanding playing field has increased the pressure for convergence. In order for these regional trading blocs not to resort to protectionist measures, it is crucial that they develop within the framework of existing global 'rules of play'.²⁶

Cooperation and coordination will play ever more important roles. As witnessed in the past, independent action on the part of the EC, US, and Japan will lead to each being worse off. The same will hold true for the regions surrounding them. The G-7 has the most potential to implement programs of cooperation. It need only take the initiative.

However, even with the advantages of cooperation so clearly visible, barriers to increasing cooperation exist. States face domestic pressures which often force them to take

short-sighted actions in order to appease certain national elements. The issue of burden sharing, or the equal distribution of the costs and benefits related to cooperative action, is also a limiting factor. A related component is simply a lack of trust. While economic and political cooperation, leading to among other things a free and open market, is indeed a win-win situation, the dilemmas associated with classic game theory exist. The difficulties that the Uruguay Round has encountered show the results of a lack of cooperation or a 'me-first' attitude.

Fortunately there exist numerous fora for cooperation and coordination in areas concerning international economic, monetary, and political activities (See Appendix D for a list of selected IGOs and NGOs, their members and objectives). Related to economic issues, the G-7 Finance Ministers and Central Bank Governors meet two or three times per year in order to discuss and promote convergence of economic performance among members. The G-5 and G-10 function in a similar yet more private manner. Currently focusing on assistance to the CEEC, the G-24 have shown successful cooperation among themselves in pledging large amounts of aid, the distribution of which has been coordinated by the Commission of the EC. The Four-Party Group, which consists of the EC, US, Japan, and Canada, focuses on trade issues dealing with the Uruguay Round. International organizations such as the IMF, OECD, and the United Nations (UN) play crucial roles in coordination leading to increased global stability and steady growth.

Recently there have been calls for increasing cooperation and coordination within the framework of the G-7. In his landmark foreign policy speech given at The American University, President Clinton indicated the need for increased attention to be given in this area:

Cooperation among the major powers toward world growth is not working well at all today...We must look anew at institutions we use to chart our way in the global economy and ask whether they are serving our interests in this new world, or whether we need to modify them or create others...We have got to try to work more closely together.²⁷

US Treasury Secretary Lloyd Bentsen reiterated President Clinton's concerns as well as proposed a solution:

The G-7 has fallen somewhat into disrepair. You have a situation where you have troubling economies in many of the countries of Europe today and Japan itself...I think what you have to do is have more frequent, informal, private meetings where the members of the G-7 try to put together a growth policy that will try to expand the economies of all seven of those countries...I would like to see the G-7 get back to their original purpose.²⁸

The G-7 has great potential to serve as the major forum for coordination among its current participants as well as influencing the policies of the regions surrounding them. However, while the basis exists, the G-7 must use the lessons gained in previous attempts at coordination as a reservoir of knowledge in order to avoid repeating past mistakes. Additionally, a greater role for international organizations such as the IMF and OECD must be assigned. These organizations are able to overcome some of the barriers to cooperation such as domestic pressures and elements of distrust that may exist among states.

Cooperation between the participants of the G-7 encompasses a wide range of topics. The past, present, and potential areas of cooperation among the G-7 in the economic and political spheres will be examined.

Economic Assistance Packages - Cooperation for the Benefit of All

Since 1989 the term "G-7" has become almost synonymous with assistance packages to the CEEC and the former Soviet Union. Realizing that strong market economies in these regions would be not only crucial for global stability but also would create a potentially vast new market for Western goods and services, the G-7 has responded rapidly to the *reforming* countries' need for assistance. The aid in these packages have not been given without strings attached. There are requirements for further economic and political reforms whose progress is carefully checked by the international financial institutions (IFIs) responsible for most of the assistance.

While the recent assistance to Russia has been coordinated by the G-7 (to be examined in detail later in this study), they realized that the larger and more complex long-term program for the CEEC required the coordinated action of an increased number of Western countries. In forming the Group of 24 (G-24) expressly for the purpose of assisting the CEEC, one of the three previously mentioned primary roles the G-7 see themselves as playing (i.e., "giving impulses to wider negotiations in other bodies") has been successfully carried out.

The G-24 Assistance Package

At the July 1989 Paris Summit the G-7, noting the urgent need for assistance in Poland and Hungary, requested that the Commission of the EC coordinate efforts to provide these countries with aid. Less than one month later on 1 August, the first meeting of the G-24 convened in Brussels. Representatives of the 24 countries consisting of all OECD members, the 12 EC Member States and other were present. In addition, the IMF, World Bank (WB) and the Paris Club indicated their willingness to become involved.

An action plan known as PHARE (Poland and Hungary: Assistance for Restructuring of the Economy) was agreed upon and implemented on 18 December 1989. The agenda for PHARE focused on areas including agriculture, improved market access in the West, establishment of training programs, and improving the terms for foreign investment.

Due to the rapid increase in reform movements throughout the CEEC, the G-24 has extended its scope and currently provides assistance to: Albania, the Baltic States, Bulgaria, the Czech Republic, Hungary, Poland, Romania, the Slovak Republic, and Slovenia. The total amount of G-24 assistance that had been committed by the end of 1992 was \$50.4 billion. The additional contributions from IFIs brings the total to an astounding \$70.4 billion. The EC and its member states have given the majority of assistance with 61% of the total. The next top three donors have been the US (15%), the EFTA countries (11%) and Japan (7%).²⁹

The PHARE program, now in its fifth year of operation, has been successful in its basic objectives of supporting the reforms in the recipient countries. By providing economic and technical assistance and guidance, the program has already helped to place many if the CEEC on the path to becoming fully integrated into the international economy. Hungary, Poland, the Czech Republic, and Slovenia are the furthest advanced in this respect and currently require increased market access for their goods in the West. However, its record has not been without disappointments, and there are many on both the giving and receiving sides who have been disillusioned.

By examining the manner in which the participants of the G-7 have coordinated their assistance both multilaterally through the G-24 as well as on a bilateral basis to the CEEC,

the probable direction of the latest G-7 assistance to Russia can be deduced. However, the experiences, both positive and negative, of the G-24 assistance package provide valuable insights into ways in which a more effective program of assistance could be implemented.

Cooperation Lacking Coordination

In summit declarations, the G-7 participants have voiced their support equally for cooperative action towards providing assistance to the CEEC and Russia. However due to their varying geographical proximity, historical and cultural ties, and most importantly, their ideas of the manner in which assistance should be distributed, the participants of the G-7 have tended to approach the assistance packages with somewhat different viewpoints. This element has materialized in both multilateral as well as bilateral assistance.

The EC and EFTA countries are attempting to form a long-term partnership with the CEEC and to a lesser extent the NIS. They realize that the future of Europe is a Community from the 'Atlantic to the Urals' and most likely beyond. In order to facilitate this, their assistance has operated under the motto "help for self-help."³⁰ The EC has attempted to encourage inter-regional and inter-republic cooperation. The Commission has also established dialogue groups between itself and individual CEEC members. The Association Agreements that have been signed (but not ratified by all EC countries) between several members of the CEEC and the EC have paved the way for a smoother transition into an enlarged Community.

The US currently is focusing on assistance to Russia and the NIS. Instead of viewing assistance as a means to prepare a potential market, the US sees it as preventing a return to an arms race. Earlier this year President Clinton expressed this view by stating, "If we are willing to spend trillions of dollars to ensure communism's defeat in the Cold War, surely we should be willing to invest a tiny fraction of that to support democracy's success where communism failed."³¹

In order to ensure continued political stability, the US has implemented political education programs. It is also the only country to have diplomatic representation in all of the NIS countries in addition to Russia. These personnel are able to monitor political developments as well as report where assistance is needed most. As can be detected in the new G-7 assistance package, the desire of the US to see increased involvement by the IFIs has been taken into account.

Japan, with only loose ties to the CEEC and Russia, has still contributed a rather substantial amount to the regions - \$3.4 billion to the CEEC and \$1.8 billion to Russia. However, the vast majority of its pledges are linked to private sector investment which to date has been slow to appear.³²

In the case of the G-24 assistance package, since the Commission was assigned the role of directing the programs from the beginning, it has been able to bring together the varying views of the donors and operate a coordinated assistance program. Unfortunately, the program has not been able to overcome the often misleading terms of assistance or the mismanagement and greed that are often associated with large amounts of funds.

The Terms of the Trade

To the already financially weak countries in central and eastern Europe and Russia, the type of assistance as well as the terms for its disbursement are key. Of the \$50.4 billion in G-24 assistance, only \$18.9 billion have been in grants. The rest are in fact loans, credits or guarantees against defaults. As most of the receiver countries are already under pressure

to repay existing western debts, additional loans will be an extra burden in the long run. The US (65%) and Canada (69%) have been the most generous in the proportion of grants in their assistance to the G-24 program. The EC (32%) and Japan (22%) have opted for a focus on other terms.

Although necessary from the financial viewpoint of the G-7 participants and the IFIs, especially in the current economic downturn, the criteria attached to the disbursement of assistance can often prevent pledged amounts from being released. Of the G-24 assistance, only about half has been disbursed. An additional factor that prevents assistance from being effective is the system of distribution that exists (or does not exist) in the individual countries. The systems in the CEEC, due primarily to having gained experience, are more advanced and less corrupt than those in Russia and the NIS. A senior Western official expressed his concerns about the new G-7 package with the following statement, "There is no point handing over even \$5 billion if it is merely going to end up in the Swiss bank accounts of the ruling elites."³³

An alarming report by the EC's Court of Auditors has brought to light the extent of assistance never reaching its intended target. The study revealed that more than 40% of the disbursed aid has been pocketed by western service firms for "assistance, consultancy and study."³⁴ The well-documented case of the misguided management of the European Bank for Reconstruction and Development (EBRD) shows another problem associated with the current G-24 assistance package. As can be seen from the 'lesson' provided by the EBRD, the G-7 and the IFIs have still to further their education in providing effective assistance.

The Potential for Improved Coordination and Effectiveness

The G-7 has the potential for improving the record of assistance packages. Their recent generous pledge to Russia demonstrates that they are willing and able to coordinate the initial financial aspect. Even though there has been a division of responsibility between the G-7 and G-24 packages, the G-7 must use the experiences encountered by the G-24 as a guide.

An assistance expert with the US Mission to the EC recently stated her belief that in order to increase the effectiveness of assistance packages there must be a more active dialogue between donors and recipients. It is also necessary for the donors to better coordinate their assistance and to look at the situation from a broader, regional perspective.³⁵ A repeat of the 1991-1992 Washington-Lisbon-Tokyo meetings in which working groups discussed the best ways to distribute G-24 assistance would also be beneficial for the G-7 assistance to Russia.

From a practical standpoint, programs focusing on managerial and skill-building are needed. By training trainers a multiplier effect will be created thereby eventually lessening the need for assistance. In order to allow these regions to become fully integrated into the global economy, which is the expressed wish of the G-7, Western markets **must** be opened for their goods. It is only in this way that the CEEC and Russia will be able to reimburse their generous supporters.

Trade vs. Aid

"We're not standing here with an outstretched empty hand. We've got something in it to offer in return."³⁶

- A Polish chief financial officer

The emerging market economies have not been spared the protectionist tendencies of the troubled Western economies. While trade is widely seen as being complementary to aid, market access for Eastern European goods has been slow to appear.

The EC's Association Agreements have recently come under attack by officials of the CEEC for moving too slow in offering the promised access and instead placing new trade barriers for goods such as steel, textiles, and agriculture that compete with threatened Community industries. In 1992 the EC had a \$3.1 billion surplus with the most advanced countries of central and eastern Europe "in effect making a tidy profit off its struggling neighbours."³⁷ Sir Leon Brittan, the EC's Commissioner for external economic affairs, expressed his view of the issue: "We must open our markets as well as our hearts and minds to the East...The Community's trade and foreign ministers would do well to take note that a more prosperous Eastern Europe will mean more EC exports and more jobs."³⁸ Fortunately, the EC foreign ministers have taken note and responded to the need for closer relations with the CEEC and Russia. At the 21-22 June European Summit, the issue of eventual membership for the countries with Association Agreements and the further opening of Community markets will be discussed. Additionally, President Boris Yeltsin will attend the meeting to sign a partnership agreement with the EC which is hoped to lead to an eventual free trade agreement. The other participants of the G-7 would also do well to heed Sir Brittan's advice.

The participants of the G-7, as a group and individually have a vested interest in the emerging CEEC and Russia. The assistance packages, although containing their share of problems, have the potential to not only stabilize the region, but allow it to flourish. However, along with increased cooperation and coordination in the area of providing assistance, in order to set a good example for these emerging market economies, they will also need to increase efforts among themselves to implement the tenets of free trade, especially increased market access and decreased protectionism, as outlined in the GATT.

Trade Issues - Cooperation for the Prosperity of All

"Openness cannot be kept up for a privileged few to enjoy. If it is walled up, it dies."

- Arthur Dunkel, Director General of GATT
24 May 1993

If their past record is any indication, the S-7 meeting in Tokyo this year will have little positive impact on the successful conclusion of the 6 1/2 year old Uruguay Round of GATT negotiations. As previously noted, the past four summits have called for solid progress towards its completion. While progress has indeed been made, it has not been solid but instead has been characterized by rather sudden breakthroughs followed often by breakdowns.

However, as has been also witnessed in its history, the personalities and negotiating strengths of the heads of state or government as well as of their finance and foreign ministers can be instrumental in overcoming existing barriers. Even though President Clinton is not the first leader to proclaim the conclusion of the Uruguay Round as his highest priority, its key position in his strategy for improved global economic health indicates that he and his administration will indeed make every effort.

When asked recently why he thought an end was in sight following so many previous such estimations, US Trade Representative Mickey Kantor first joked, "Maybe naive" before continuing by pointing out the effective leadership and pragmatic position President Clinton has shown as well as the increased willingness of the other major trading partners to negotiate. During the first week of May, Kantor also indicated the Clinton Administration's proposed time-table for a conclusion of the Uruguay Round by December 15, 1993. Indicating the Commission's equally strong desire to see the round concluded following the schedule of the US Sir Leon Brittan, Kantor's EC negotiating partner stated, "I really do believe this deadline is the last one."⁴⁰

G-7 Trade Cooperation - No Proud Past

From the very first declaration presented at the 1975 Rambouillet Summit, the G-7 have pledged themselves to cooperate in achieving truly free global trading system. In words that hold particularly true 18 years after they were first written, the S-7 stated:

We must seek to restore growth in the volume of world trade. Growth and price stability will be fostered by maintenance of an open trading system. In a period where pressures are developing for a return to protectionism, it is essential ... to avoid resorting to measures by which they could try to solve their problems at the expense of others, with damaging consequences in the economic, social, and political fields.⁴¹

Unfortunately, their past success (or lack thereof) in cooperating to implement effective trade policy actions also holds true 18 years later.

The S-7 called for progress in the Tokyo Round of GATT talks in their 1975 Declaration and in the next three successive declarations urged its completion. With the round finally being concluded in December 1978, and signed in April 1979, the S-7 were able to endorse the package at the 1980 Venice Summit. Notably, it was the previous US Democratic President Jimmy Carter who, by agreeing to a more modest pact, was able to achieve what alluded the two previous Republican presidents.⁴² For the sake of the global trading system's future prosperity, it may be a good sign that history tends to repeat itself.

In non-GATT related issues, their record is not much improved. The issue of East-West trade, focusing on limiting export credits to the Soviet Union was hotly discussed at the 1982 Versailles Summit. While the US wanted quantitative limits, the Europeans wanted to take a more cautious approach. The compromise that was reached fell apart a few weeks after the summit. President Reagan, feeling betrayed by the actions of European leaders, extended sanctions on the Soviet pipeline construction project to include US subsidiaries operating in Europe. The ensuing backlash of criticism and later defiance of the US move brought trade relations between Europe and the US to such a low point that the EC trade negotiator stated "Our trade relations with the United States are the worst that I have seen since the end of the war."⁴³

The Uruguay Round

Launched in September 1986 in Punta del Este, Uruguay, the Uruguay Round (UR) is the eighth round of GATT talks. Covering 15 diverse negotiating areas it has proven to be the most ambitious as well as contentious round. It was originally scheduled to be completed by the end of 1990, however, due to many factors, it is still awaiting the signatures of the 111 Contracting Parties of the GATT.

The Uruguay Round encompasses three major areas: 1) GATT 93 - this agreement will be a revision of the Tokyo Round pact; 2) General Agreement for Trade in Services (GATS) - the aim of this agreement will be to establish common international rules and monitor progress in this rapidly growing sector; 3) Trade Related aspects of Intellectual Property rights (TRIPS). In order for the UR to be concluded, all Contracting Parties must agree to these three areas.

In December 1991, Arthur Dunkel, at the time the Director General of GATT, presented a draft Final Act (DFA) which had been laboriously prepared by him through negotiations with many of the parties. While being the basis for current discussions, the DFA itself was not accepted.

Progress at Long Last

Late in November 1992, after several tense months and many transatlantic flights, the EC and US agreed on a revision of the DFA section on agriculture. Known as the Blair House Accord, this agreement allowed the stalled UR negotiations to continue. However, the Accord covered only two of the three necessary sections involved in the agricultural text. While export subsidies and internal support were dealt with, the more sensitive topic of market access was left hanging over the negotiation table.

The first few months of this year have witnessed a series of volleys between the EC and US involving threats of starting Trade Wars I (over steel) and II (over public procurement). However, to the credit of both sides, and in particular the negotiating skills of USTR Mickey Kantor and Sir Leon Brittan, the differences have been resolved 'peacefully'.

Late in April an agreement was reached in the long-running EC/US conflict over public procurement purchasing rules. The US complaint was over Article 29 of the EC's Utilities Directive which gives EC bidders a 3% price preference over foreign bidders as well as allowing bids with less than a 50% European content to be disregarded. The EC replied by pointing out the discriminatory "Buy American" Act as well as US restrictions on who could bid for federal utilities. The agreement consists of the EC removing the Article 29 preference for heavy electrical equipment while the US has opened up its bidding system. The importance of the compromise for the GATT talks was stated in one report: "The dispute risked escalating into a tit-for-tat trade war, wrecking hopes of progress in the GATT Uruguay Round."⁴⁴

Light at the End of the Tunnel

Now that the EC and US have settled their dispute on procurement, they have turned their attention to the final steps that need to be taken to complete the Round. Early in May Mickey Kantor explained the strategy: "What we're attempting to do is work on market access in the Uruguay Round and have a preliminary agreement on market access, especially

in the industrial products area and services, prior to the G-7 meeting in Tokyo."⁴⁵

On 13 May, the French Government presented its new position on trade policy. At first glance it was seen as a possible stumbling block on the way to Tokyo. Released by Prime Minister Edouard Balladur, it called for among other things a review of EC trade policy, criticized the US for its unilateral actions, defended Community subsidies, and demanded for the Blair House Accord to be opened for further negotiations. However, several aspects of the shift in policy were greeted by the EC as well as GATT officials as being positive steps.

The long-standing issue of agriculture has recently had a breakthrough which will allow progress in the other 14 areas of the GATT to be taken. The EC Agriculture Council meeting that took place during the last week of May resulted in France being granted the important concession of increases in subsidies to French farmers who take land out of production. This reform in the Community's Common Agriculture Policy (CAP) as well as their likely acceptance of the Blair House Accord, will allow the other issues of the GATT to be discussed. French Agriculture Minister Jean Puech stated: "We have reached a compromise that appears really positive for France and Europe. We will have a more open attitude in international talks."⁴⁶

Recently, Prime Minister Balladur stated that in the past the trade negotiations "were too much and perhaps even too organized, as a sort of confrontation between the US and EC ... All subjects, and not just agriculture, must be really negotiated and all parties, not just Europeans, must adopt a positive attitude."⁴⁷

It seems as if the EC and US negotiators at the 14 May 4-Party Toronto meeting had been listening to Prime Minister Balladur's words. They combined forces in pressing Japan to reduce its industrial and other trade barriers as well as opening its markets. An EC official stated: "We certainly think the time has come for the Japanese to make their contribution to the debate."⁴⁸ Even though Japan recently agreed to reduce its tariffs by 55% on nearly 800 products, the Commission intends to press for further reductions. Japanese government official, though rebuking the claim that Japan has not made its share of effort to conclude the UR, agreed along with Canada that the G-7 Summit in Tokyo should be a deadline for a 4-Party agreement on market access.

Meeting again on the fringe of the OECD's annual meeting 2-3 June, the 4-Party group made further progress towards meeting their agreed upon deadline. However, Japan and the US were unable to reduce their differences. Japan continued to stand firm against US pressures to accept a policy of managed trade in which quantified levels of imports would be encouraged. Mickey Kantor expressed the optimism which emerged from the second in a series of 4-Party Meetings: "I believe we are in striking distance of an agreement which could be the largest market access agreement in history."⁴⁹ Representatives from the EC and the other 3 participating countries are scheduled to meet once more in Tokyo on 23-24 June before the G-7 summit.

The Summit and Beyond

According to an official on the Commission's Uruguay Round Steering Group, the most the S-7 can hope to accomplish concerning market access in the UR is to give their approval for a specific market access package. Since the participants of the G-7 do not represent the other Contracting Parties in GATT, they cannot decide for all members. However, if they are able to reach an agreement, it will be the starting point to concluding the UR. At this point, all other negotiations are stalled due to the difficulties in the area of

market access. The same official expressed her optimism for a successful Summit due to the fact that the S-7 seem more intent on reaching a conclusion than in previous summits.⁵⁰

Even if the S-7 is successful in reaching a preliminary agreement on market, there are still many other areas to be resolved before the UR can be concluded. On 26 May, Jacques Delors called for the area of liberalization of services to be focused on. The US, who has long pressed the EC to work more actively towards receiving a firm commitment from developing countries that national treatment will be given to foreign service operations, was no doubt pleased by Mr. Delors' statement. Additional areas that still must be resolved are the issues of countervailing duties, tariff peaks, and textiles. In the case of textiles, the Multi-fiber Agreement (MFA) will need to be revised in order to be integrated into the existing GATT framework.

The question of establishing a multilateral trade organization (MTO) may also prove to be a further point of contention. The MTO envisaged would be a common body designed to coordinate the three areas of the UR (i.e., GATT, GATS, and TRIPS). It would have powers of enforcement for these agreements as well as being able to implement sanctions as a form of cross-retaliation against Contracting Parties who are not following established rules. The EC views the MTO as being crucial to keep the UR functioning since the Contracting Parties who do not export services or intellectual property (most often developing countries) may not enforce the rules as agreed upon. Therefore, the industrial countries who have much at stake in these two areas must be able to retaliate by implementing sanctions on these countries' goods.⁵¹

The US believes that the MTO was hastily put together. The rule allowing a country to waive a specific element by having 2/3 of the Contracting Parties in agreement is of particular concern to the US as this is seen as a potential loophole. The US is also against a possible MTO "dictating" trade or environmental policies to the US.⁵² If accepted, the framework and structure of the MTO will most likely be a compromise that all Contracting Parties will be able to work with.

There is also an obstacle developing that may hinder the ratification of the UR by the US. The Clinton Administration's request for an extension of fast-track authority of the UR until 15 December has not yet been approved by the US Senate. Two Democratic senators have recently demanded that in order for them to approve the extension, a renewal of Super 301 would need to be attached to the extension legislation. Super 301, out of use since 1991, allows the USTR to point out priority unfair trade practices in priority countries so as to self-initiate the unilateral reprisals allowed under Section 301 of the US Trade Act. However, even if Super 301 legislation is approved, there is no assurance that the US will indeed use its powers. There is quite an amount of discretion surrounding its use.

With the stepping down of GATT Director Arthur Dunkel after ten years, Peter Sutherland was selected as his replacement on 9 June. With his accession to this powerful position, the many obstacles still existing may in fact be minimized. According to one report:

Sutherland thinks the time for platitudes about free trade from the leading industrial nations is over. He now considers that the time has come to point accusing fingers at governments about their own adherence to free trade, instead of allowing governments to go on accusing others about their shortcomings.⁵³

The potential that the upcoming Tokyo Summit has for not only delivering the crucial breakthrough for the UR, but also for improving the scarred record of G-7 cooperation on trade issues is vast. Fortunately, current signs indicate that those involved in the G-7 and GATT processes realize the absolute crucial deadline this summit represents. The credibility of the G-7 process as well as the workability of the GATT system are at stake. If the S-7 fail to agree on a preliminary market access accord, the UR may still be salvaged. However, the reputation of the G-7 for dealing with trade issues will not.

Economic and Monetary Coordination - Towards Stability and Credibility

Coordination of monetary policy with the objective of encouraging steady growth through stable exchange rates has arguably been the primary purpose of the G-7 and most definitely of the closely related G-5 and G-10. Working together and in conjunction with the Interim Committee of the IMF, the G-7 finance ministers and central bank governors have been quietly and modestly progressing in their coordination of macroeconomic and monetary policies. While not always successful, the structure and organization behind their actions have encouraged a level of cooperation rivalled only by the EC's process for Economic and Monetary Union (EMU).

The Process - Key to Their Success

As stated previously, a new Group of Seven Finance Ministers forum was established at the 1986 Venice Summit. This action, the formal enlargement of the G-5 to include Canada and Italy, was intended to foster closer coordination through more frequent meetings between the summits. The G-7 finance ministers and central bank governors meet several times a year in order to discuss sensitive issues pertaining to monetary policy. The results of these meetings, which are often useful for business enterprises, are public knowledge. However, due to the possibility of insider trading, they are much more discreet than other G-7 meetings. The finance deputies group, who act as agenda determining sherpas, meet frequently on an ad hoc basis as well as continuously keeping each other informed of new developments via telephone discussions. Additionally the central bank governors, varying in the degree of independence from individual finance ministers, share exchange rate policies with each other. Taken together, this well-established process of coordination has been largely responsible for their continuing progress.

The Background - A Series of Slow, Tentative Steps

With the breakdown of the Bretton Woods system, the G-7 found it necessary to rely more on the IMF as a forum for monetary coordination. At the 1975 Rambouillet Summit, the members amended the IMF's Articles of Agreement so that members were obligated to "pursue economic policies conducive to stability ... [and established] a range of permissible exchange rate regimes, including floating and cooperative arrangements like the European 'snake'".⁵⁴ The Interim Committee adopted this amendment early the next year.

The next step in monetary policy coordination was taken seven years later at the 1982 Versailles Summit. The members agreed to "strengthen our cooperation with the IMF in its work of surveillance and to develop this on a multilateral basis."⁵⁵

The Plaza Agreement of September 1985 and the Louvre Agreement of February 1987 were the next moves in the G-7 commitment of mutual surveillance and coordination of

exchange rate movements. Both of these agreements, synchronizing exchange rates in order to respectively decrease and increase the value of the US Dollar, focused on increasing the stability of exchange rates. The fact that these agreements were concluded away from summit meetings, attests to the effectiveness of the G-7/G-10 finance ministers group and their coordination with the IMF Interim Committee.

Europe as a Model

The G-7 has noted the progress of the EC's European Monetary System, remarking on its contribution to "economic policy convergence and monetary stability"⁵⁶ within the Community. Additionally, the Maastricht Treaty calling for increased convergence through implementation of EMU was seen as "a historic step" for further European integration.

The European Community possesses many factors that have been advantageous to convergence including a higher level of geographical and cultural proximity than exists among the G-7 as well as a "strong political and broad economic impetus ... providing a strong momentum and pressure for integration that does not exist across the globe."⁵⁷

Although there are several elements inherent in the European process which prevent a perfect comparison with any possible future G-7 system of monetary coordination, its experiences may still be used as a model for a potential system involving the floating of the ECU/\$US/Yen. In fact, the EC's objectives for the first of three stages leading to EMU read nearly identical to those consistently expressed by the G-7 declarations: "The attainment of a greater degree of convergence of economic and monetary coordination"⁵⁸ and also includes multilateral surveillance procedures.

An indication of the use of ERM/EMU as a model is underscored by G-7 members comparing their economic situation with those required by EMU as stated in the Maastricht Treaty. Looking to the future, US Ambassador to the EC James Dobbins stated recently in a speech:

President Clinton's proposed tax and revenue cuts will, in fact, allow the US by 1997 to meet all the economic criteria contained in the Maastricht Treaty for entry into the EMU. The United States is not, of course, an applicant for entry into EMU. But the new Administration is intent on closer consultations and more effective coordination between Europe and the United States on macroeconomic and monetary policy within the G-7.⁵⁹

The speculator-induced crisis which befell the exchange rate mechanism (ERM) of the European Monetary System (EMS) on 14 September 1992, after five years of surprising stability, forced the British pound and the Italian lira to drop out of the system while the Spanish peseta, Portuguese escudo and the Irish punt were devalued. While some saw this as being due to 'fault lines' in the ERM, a meeting late in May of EC finance ministers concluded that the system itself is technically sound and the crisis was due to the economic and political conditions that have developed around it in the Community.

Two separate reports from European central governors and senior monetary officials noted the strain that German unification had placed on the German economy resulting in an inflexible monetary policy detrimental to other EC members; the crisis of confidence created by the Danish 'no' vote in its original referendum of the Maastricht Treaties; as well as the variances between US/EC interest rates.

The recommendations that followed the release of the studies included a call for more stringent following of established EMS guidelines, especially those involving increased

adjustments in the ERM. Another involved a change in past policy concerning the obligation of Member States to support each other's currencies, now to be only a 'voluntary action'.

Two additional points echoed the most recent statements of the G-7 and IMF Interim Committee. First, the necessity of improved communication between members on issues concerning exchange rates and their realignment was stressed as was "plain speaking, a 'confrontation on policy issues' and a critical probing of forecasts and policy intentions."⁶⁰

Second, a program involving increased multilateral surveillance of confidential economic indicators should be implemented in order to establish an "early warning system" so that moves could be taken to avoid another crisis. However, now that the Maastricht Treaties are virtually assured to be ratified by all Member States, this system will automatically be implemented.

Article 103 of the Treaty on European Union sets out the procedures for closer multilateral surveillance as well as giving the Council greater power to intervene in the monetary policy of individual Members by stating:

Where it is established ... that the economic policies of a Member State are not consistent with broad guidelines ... or that they risk jeopardising the proper functioning of economic and monetary union, the Council may, acting by qualified majority on a recommendation from the Commission, make the necessary recommendations to the Members States concerned.⁶¹

Apparently realizing the benefits of Article 103 of the EC's Maastricht Treaty, the G-7 finance ministers, central bank governors and the IMF Interim Committee recently granted the IMF power to "blow the whistle and cry foul if any country's economic and exchange rate policies threaten to create currency turmoil and upset the international community's efforts to achieve greater growth."⁶² This new development expands the scope of the IMF, which previously had focused on countries in debt.

The Future

Monetary policy, an integral part of overall economic policy can help or hinder the prospects for economic growth, both for an individual country as well as for a group. The individual economic growth packages in the EC, US, and Japan can be seen as part of a global growth strategy. The G-7 finance ministers, who will be reviewing the results of closer cooperation as concerns the individual growth packages at the Tokyo Summit, have set in motion a truly multilateral strategy of coordination through the recently announced system of surveillance by the IMF.

At their most recent meeting on 29 April, while discussing their approach for the future, the group reaffirmed their mutual pursuit of coordinated growth policies, and agreed to "closely coordinate currency market operations ... [and] better reflect economic fundamentals."⁶³

The future status of the of the EC in the G-7, and particularly the G-7 finance ministers and central bank governors group, will be profoundly altered with the start of Stage III in the process towards EMU. This final stage, set to begin in 1997 at the earliest and 1999 at the latest, will bring into existence the European System of Central Banks (ESCB) composed of the European Central Bank (ECB) and the national banks of the member states. The ESCB will be independent from the Community institutions and be responsible, among other things, for monetary policy while the ECB will be responsible for issuing EC currency.

While it will be independent, the ECSB will support the economic policies of the EC.

The crucial point as concerns the G-7 is that, as stated in Article 109 of the Maastricht Treaty:

agreements involving monetary or foreign exchange regime matters need to be negotiated by the Community ... the Council, acting by qualified majority on a recommendation from the Commission and after consulting the ECB, shall decide the arrangements for the negotiation and for the conclusion of such agreements. These arrangements shall ensure that the Community expresses a single position.⁶⁴

With the authority to act for all member states, the Community's single voice will speak where currently 4 + 1 are heard. While there may be some difficulties with the European members of the G-7 relinquishing their current powers and effectively changing the G-7 to the G-4 where monetary matters are concerned, the strengthened common position of the EC will be able to carry more weight in the area of economic and monetary policy, thus ensuring the EC's becoming a 'true' member of the G-7.

Political and Security Cooperation Among the G-7

"The partnership of North America, Europe, and Japan is a guarantee of peace and stability in the world"

-1985 Bonn Summit Political Declaration
on the occasion of the 40th. Anniversary
of the end of WWII

With its origins based firmly in the economic and monetary topics, the G-7 at first did not openly discuss or announce declarations on issues involving political or security affairs. However, the interdependence of economic and political matters rapidly encouraged the G-7 to include both spheres in their agenda for cooperation. In the case of the summit communiques this trend, which began at the 1978 Bonn Summit with a spontaneous declaration on hijacking, has increased to the point where the past several S-7 political declarations have covered more international political and security issues in greater depth than the economic declarations have for economic issues.

The Process

At the summits, the foreign ministers of the G-7 participants are seated next to their country's head of state or government and finance ministers. There they attempt to agree on the future policies and strategies in the field of politics and security. To assist in defining these plans and to put them into action political directors, who are the head of their state's foreign affairs ministry and report directly to their foreign minister, meet at least five times per year on a very informal basis. These meetings are not intended for making or implementing decisions but instead serve as a consultative mechanism. These political directors act under the authority of the sherpas in preparing and implementing G-7 policies. In addition, working groups meet four to five times annually to discuss the topics for the summits and prepare proposed agenda items for the political declaration.⁶⁵

Political Cooperation: A United Force

The history of the G-7 includes several examples of successful cooperative action in the political and security arenas. Emphasized repeatedly year after year have been actions to prevent international terrorism. The G-7 pledged early on to support each other in preventing the spread of terrorist action by establishing increasingly more detailed and effective measures including mutual extradition procedures, closer bilateral and multilateral cooperation between police and security organizations, as well as agreeing to implementing an arms embargo for countries suspected of supporting terrorists. Their 1978 Bonn Declaration has been reaffirmed and extended in content over the past several years.

Regions of international conflict outside the G-7 have also been addressed. Continuing upheaval in the Middle East has been seen as not only dangerous to the area and its people, but also as a possible threat to the global supply of oil. The UN has been singled out as the best forum for the resolution of the turmoil.

East-West issues have figured prominently in the political dialogue of the G-7. Beginning with the condemnation of the Soviet invasion of Afghanistan, the G-7 has progressively become more active in its cooperative measures toward the countries of Eastern and Central Europe and the (former) Soviet Union. In 1989 the S-7, with respect to the reform movements, stated: "We hope that freedom will be broadened and democracy strengthened and that they form the basis, after decades of military confrontation, ideological antagonism and mistrust, for increased dialogue and cooperation."⁶⁶ As mentioned previously, the G-7 has supported the reform of the CEEC and recently Russia with economic and technical assistance, but they have also cooperated with one another and international fora in key political and security elements.

Security Cooperation: A Weapon for Peace

Up until 1990, the G-7 had taken the military strategy of deterrence and the view that strength in nuclear and conventional weapons would be the best policy to deter any possible Soviet threat. However, with the rapid changes that were occurring as well as the numerous new fora for cooperation in the area of security, such as NATO's North Atlantic Cooperation Council (NACC) and the Conference on Security and Cooperation in Europe (CSCE), the G-7 were able to change to a policy seeking mutual disarmament.

Beginning with the 1990 summit G-7 participants, whether or not they had signed the Treaty on Non-Proliferation of Nuclear Weapons (NPT), have committed themselves to progress in the area of non-proliferation and have urged all non-signatory countries to sign the treaty. Additionally in 1989, the G-7 established the Missile Technology Control Regime (MTCR) which is designed to control the spread of missiles capable of carrying nuclear, chemical, and biological warheads.⁶⁷ Since its inception, many other states have agreed to follow the guidelines set forth in this agreement.

The G-7 have recognized that they must utilize the relevant international organizations and agreements focusing on political and security affairs. To this end, they have recently begun to call for the strengthening of the United Nations (UN). In 1991 the S-7 stated: "We commit ourselves to making the UN stronger, more efficient, and more effective... The UN's role in peacekeeping should be reinforced and we are prepared to support this strongly."⁶⁸ While the G-7 has no real institutionalized relationship with the UN, the trend has been to make the group a high-level laboratory for reformist thinking on issues concerning the UN

and particularly for discussion of membership in the Security Council.⁶⁹

The CSCE, significantly strengthened through the 1990 Charter of Paris for a New Europe, has been viewed as a vital forum for maintaining peace and stability in Europe as well as the Asian region. While Japan is not a full member (and does not seek to be), it is a 'special guest' since many issues that are dealt with in this group have direct implications for Japan and all of Asia. NATO and the WEU's moves to work with the CSCE have been supported by the G-7. However, the US has questioned the security implications for the North Atlantic Alliance if WEU membership will be automatically granted to all new members of the EC.⁷⁰

While the Maastricht Treaty's articles for strengthening European Political Cooperation (EPC) will have no direct effect on the G-7 the implications of a stronger European Community political voice (which Commission President Delors has openly urged to be pursued more rapidly than EMU) that is more articulate as well as dynamic are obvious. There already are feelings among the non-European members of the G-7 that the EC focuses to an inappropriately high degree on Euro-centric issues. In the future, this may cause friction among the participants.

The Future Potential

This year's Tokyo Summit will most likely continue to show strong cooperation in political and security issues. However, due to the urgent economic pressures for visible progress in the Uruguay Round and more coordination in the assistance to Russia, it has been predicted that the political and security declarations will not be in the spotlight. According to a Commission official on the EC's G-7 working group, there will be a heavy emphasis on security including non-proliferation (i.e., extension of the NPT beyond its current expiration at the end of 1995) and export controls for dual-use technology. The G-7 wish to impress upon Russia the importance of security in the post-communist reality and to establish long-term initiatives with them. In the political sphere, the question of burden-sharing will likely be addressed, specifically focusing on the role of the US and Japan in assistance to the CEEC. The G-7 will also continue to act as a lobby on the Bosnian issue.⁷¹ Japan will press for G-7 support of the resolution of the northern islands dispute between Japan and Russia, although they intend to solve the issue bilaterally.

The substance of G-7 economic, political, and security cooperation and coordination is indeed important, and has been demonstrated, has had a favorable impact in advancing the progress of economic growth and international stability. However, as was made clearly visible in the recent G-7 Emergency Summit focusing on aid to Russia and its direct positive influence on the Russian referendum ten days later, the timing of G-7 cooperative action can be key to its effectiveness. The aspect of timing *combined* with the instrumental high-level pressure unique to the G-7 process is where a great amount of potential exists for further G-7 and S-7 success in economic and political cooperation and coordination.

G-7 Assistance: To Russia With Love

"We should extend to the Russian people not a hand of pity but a hand of partnership."

-US Secretary of State Warren Christopher, 22 March 1993

The situation surrounding G-7 assistance to Russia or the (former) Soviet Union can be described as a case of Catch-22. The members of the G-7 have been hesitant to provide any substantial amount of direct assistance in the absence of solid and progressive reforms in Russia. However, the dire economic and political situation in Russia have made any substantial reform without Western assistance which would lessen the negative impacts, nearly impossible due to the further hardships they would bring about in the short-term. While humanitarian assistance has been forthcoming from the participants of the G-7 on an individual basis thereby diverting severe suffering among the population of Russia and the NIS, in terms of direct or indirect economic assistance, substantial amounts have been slow to be pledged and even slower to be disbursed. While blame could be placed equally on the G-7 as well as Russia for the slow pace of progress in this area, what is more important at this point for both parties is to learn from past mistakes, address current realities, and proceed as partners into the future.

The First Moves Forward

At the Houston Summit in 1990, West Germany and France attempted to convince the other members of the need for a coordinated assistance package to the Soviet Union along the lines of the one-year-old G-24 program focusing on the CEEC. However, due to the hesitancy of other members what was eventually announced in the final communique was the cautious move of a request for a study to examine the Soviet economy and recommend means under which Western assistance could be used most effectively. They also alluded to the fact that before any aid would be even considered, further reforms would need to take place.

The 1991 London Summit did little to advance serious discussion on the proposed assistance to the Soviet Union. At the precedent-setting special session immediately after the summit, Soviet President Mikhail Gorbachev presented his case with a 23 page document in which he described his plans for economic reforms as well as 31 additional pages of proposals of ways the G-7 could assist his country.⁷² However, due to the fact that these proposals had no focused strategy behind them, Gorbachev went "away from the G-7 meeting with little more than promises of technical help for his collapsing economy and seven encouraging pats on the shoulder."⁷³ A small step forward that would later allow greater strides in assistance to be taken was the associate membership in the IMF granted to the USSR.

During the first half of 1992, with Russia promising reforms in their monetary policy, the G-7 finance ministers and central bank governors began to step up their consultations with each other and the IMF over the viability of an assistance package to Russia as well as membership for the NIS countries. On 1 April 1992, five days before President Yeltsin was to open a session of the Russian Parliament, the G-7 announced a \$24 billion plan comprised of: \$11 billion from the G-7, \$4.5 billion from international financial institutions, \$2.5 billion in debt restructuring from the Paris Club, and a \$6 billion ruble stabilization fund.

Explaining why G-7 assistance had been granted at this stage and not earlier, President Bush stated:

This [was] a complex set of issues which took months to sort out, working within the [US] administration, working with our major allies and with the leaders of the new independent states of the former Soviet Union. A number of things had to come together to make sure we got it right.⁷⁴

US Secretary of State Baker added:

We've said that the first step was to match outside support with self-help. And it has been recently in the past few months that we've seen Russia particularly move in the area of adopting credible economic programs.⁷⁵

Two months later at the Munich Summit, after the G-7 finance ministers and central bank governors had met with Russian Prime Minister Gaidar to work out a mutually agreeable Russian 'self-help' reform plan, the S-7 were able to announce specific areas where the assistance would focus on including agriculture, energy, medical and technical assistance as well as plans for increasing market access for Russian and NIS goods. Since the IMF would be playing the major part in disbursing the \$24 billion in assistance, the fact that Russia was granted full membership in the IMF immediately prior to his attendance at a special session of the summit, illustrated once again that timing could be crucial.

However, this seemingly 'finished deal' was to prove a disappointment for all involved. Russia was unable to meet the conditions that the IMF had established as criteria for the disbursement of the vast part of the assistance package. While the West believed that their governments were granting Russia generous amounts of effective assistance, in reality the \$20.8 billion that has been disbursed has had little visible effect due to the aid not being targeted. Also the system of distribution has been described as "chaotic".

Progress Picks Up

The next step was taken by French President Francois Mitterrand in mid-March 1993. While on a visit to Moscow, he called for the G-7 to hold an emergency summit to discuss ways for improving their record of assistance to Russia. Deputy Russian Prime Minister Boris Fyodorov stated what Russia was in need of: "For us amounts are not so important...what is important is that national financial assistance is well-targeted, well-timed, that it's visible so that people feel this contribution really helped."⁷⁶

The following week, during a meeting of G-7 officials, a consensus was built to attempt to increase their assistance in time so that it would help Yeltsin with his 25 April referendum. While visibly against the idea, believing that additional assistance would not help the situation in Russia, in order to avoid questions of burden-sharing Japan announced on 26 March that they would host an emergency meeting of G-7 finance and foreign ministers on 14-15 April.

At their 3-4 April summit in Vancouver, Presidents Clinton and Yeltsin applauded this move and "called for accelerated G-7 development of substantial and effective new economic initiatives to support political and economic reform in Russia."⁷⁷ In order to show the G-7 the priority the US was giving to Russia, President Clinton announced a \$1.6 billion US package which included grants, private sector support, concessional food sales, security assistance as well as humanitarian aid. Backing up this move, the UK pledged approximately

\$230 million followed by Canada with \$200 million.

Aside from the impressive amount in G-7 support that the Emergency Summit was able to announce, the meeting was a notable event in itself. For the first time in its history, the G-7 foreign and finance ministers came together in order to discuss one specific issue of common concern to their countries. It also signalled another victory for the EC since it was also the first time that the Commission had been invited to any non-summit related talks.⁷⁸ Representing the EC in Tokyo were Finance Commissioner Henning Christophersen and Danish Foreign Minister Niels-Helveg Petersen.

A Major Step

Heralding the assistance package as "a major step forward for cooperation between Russia and the major countries of the world,"⁷⁹ Mr. Fydorev expressed his pleasure at the new pledges of aid. While most newspaper headlines reported that the G-7 had coordinated an economic assistance package of a staggering \$43 billion in assistance, the true amount of G-7 assistance was the considerably less but still impressive amount of \$28.4 billion. (See Appendix E for a breakdown of the assistance package). The Summit Communique described the new aid package as being "pragmatic, visible, tangible, and effective"⁸⁰, while a senior Clinton Administration official stated, "We are trying it differently this time. The idea is to prime the pump with some initial money so that the effects can be felt, and then to have more flexible conditions for the rest."⁸¹ A significant proportion of the assistance was planned to be available in 1993. However, even though the package had been designed to prevent the mistakes of the previous pledge of assistance, many feared that because Russia would not be able to meet even the reduced requirements that disbursement required, there would be a repeat of the 1992 assistance deadlock. The assistance will be dependent on Russian progress towards a market economy and political reform both at home and in its foreign policy.

Some individual members of the G-7 approached the meeting with new perspectives toward providing assistance to Russia. Germany, who had donated over half the total amount of aid to Russia since 1989, and currently is beset by financial demands in its eastern part, was not able to continue with its normal generosity. Finance Minister Theo Waigel stated, "We have done much more than the others. We have gone beyond the bounds of our national interests."⁸² Japan, who had previously been firmly against giving aid to Russia due to the northern islands dispute, pledged a surprising \$1.82 billion. According to a Japanese official, this seemingly new position represents a change of nuance only, in substance the Japanese view is unchanged. Since Russia has made progress in the political area by recognizing the dispute over the northern islands, Japan is willing to make progress in the economic area by pledging aid.⁸³

However, as a group the G-7 were successful in putting together a coordinated assistance package. US Secretary of State Warren Christopher focused on the advances in G-7 cooperation by stating:

Our deliberations over the past two days have been true to this mission. We have united behind and shown concrete and substantial support for reform in Russia. The degree of unanimity among us in this effort has been extraordinary.⁸⁴

The not-too-indirect reason behind the timing and large amount of assistance to Russia was to show G-7 support for President Yeltsin immediately before his referendum on 25 April. Secretary of State Christopher spoke for all G-7 members on their strategy:

Should the forces of reform - led by President Yeltsin - be thwarted we would face increased instability, the loss of large potential markets for our businesses, and the necessity to continue to invest dollars in defense and not in the urgent domestic needs of our people.⁶⁵

To President Yeltsin the overwhelmingly positive outcome of the referendum which has given him increased powers necessary to implement the needed reforms, most likely has convinced him that this new assistance package has already paid-off.

The Tokyo Summit - The Beginning of New Developments and Directions

As has occurred at the previous two summits, immediately after the upcoming Tokyo Summit, there will be a special G-7 + 1 meeting at which President Yeltsin will be present. The heads of state or government will discuss ways to involve countries other than those participating in the G-7. They realize that the G-7 is too 'light' a framework to carry out effective assistance to Russia. While the general policies and criteria under which the assistance will be distributed have already been discussed by the G-7 sherpas and relevant IFIs on several occasions, the agenda will include further discussions on more effective ways in which to disburse the assistance pledged. The disbursement of the first \$1.5 billion of the initial support program through the new IMF sponsored Systematic Transformation Facility will most likely be announced as well.

The US will attempt to forward its 3-point plan for increasing the effectiveness of G-7 assistance. This plan consists of: 1) establishment of a G-7 privatization fund in which each participant would contribute \$2 billion as well as an additional \$2 billion each from the World Bank and the EBRD; 2) a denuclearization fund to increase the speed of destroying nuclear weapons in the NIS countries; and 3) the establishment of a Moscow-based G-7 assistance monitoring bureau.

The EC has already expressed its hesitancy over the proposed privatization fund stating its concerns over the balance of true privatization support as compared to social support. The Community has proposed small 'test' projects in order to determine the best way to assist Russia. Concerning the possibility of a G-7 monitoring office the EC, concerned that such an office may reduce the current responsibility of the IFIs in Russia, hopes to continue to use existing forums.

While the US and EC have seemingly different approaches, as in the G-24 assistance package, they are in fact slight and pose no major obstacles that cannot be solved during the G-7 + 1 meeting.

That this new G-7 assistance package holds the potential to be highly effective is due to the G-7 realizing the inherent faults of the previous assistance to Russia and working to overcome them. The logic behind the current package is that in order for assistance to have positive results it must be visible and targeted. The step-by-step approach will allow aid to be disbursed as economic reforms are forthcoming. The \$4.1 billion in the initial support package for stabilization, unlike previous assistance, will have no strict conditionality attached to it therefore allowing Russia to receive this critical initial assistance within the next 3-6 months. The gradual disbursement will also prevent the distribution system in Russia to avoid a possible overload.

Russia also has taken steps to improve the effectiveness of the assistance it receives. Realizing that his country's system of distribution was unable to effectively deal with the

large amounts of assistance, President Yeltsin established the Russian Agency for International Cooperation (RAICD) in the latter half of 1992. Designed to better manage and coordinate the many different types of assistance, it is meant to act as a 'go-between' for the donors and recipients. The EC, through its National Coordinating Unit, and the World Bank have already become involved in the RAICD.

According to a World Bank report, RAICD will need support in four main areas in order to carry out its objectives: 1) expert advice on the types of projects and their scope that should be implemented; 2) improved coordination between the Russian government and the donors; 3) information on the manner in which assistance is usually given (i.e., procurement, payments, and accounting procedures); and 4) advice on procedures to attract and manage foreign investment.⁶⁶

Experiences gained from previous assistance has permitted the G-7 and relevant IFIs to establish several areas which must be focused on in order to improve the effectiveness of assistance. The World Bank has defined these areas in part as follows:

1. Establish priority areas
2. Assist Russia in designing an agenda for future reform
3. Prepare systematic data for better information on the Russian economy
4. Train better prepared Russian agency officials
5. Increase the role of regional governments
6. Support the development of a Russian consulting field through increased utilization and training of local professionals
7. Increase coordination and interaction between donors and the Russian government, focusing on RAICD.⁶⁷

By continuing to search for ways of improving the manner in which assistance is disbursed as well as increasing their coordination between themselves and the recipients, the G-7 have proven themselves a valid forum for coordinating the support of developing regions. The Tokyo Summit will provide a useful opportunity for high-level face-to-face discussion of the next steps that need to be taken. The fact that President Yeltsin will also be present will add a crucial element to the meeting by representing the view of the recipient among those of the donors.

The Repercussions of Assistance to the G-7

While it is still too early to determine the results of the new G-7 assistance package to Russia, implications for the future of G-7 cooperation and coordination involving assistance may already be seen. Both the G-7 assistance to Russia as well as the G-7 implemented but G-24 coordinated assistance to the CEEC have been seen as long-term commitments to these areas. While having no way near the amount of determining influence that was connected with the Marshall Plan, the continued involvement of the G-7 will necessarily give them at least a minimum amount of influence in the direction that these countries develop.

Future countries requiring support may approach the G-7 for similar assistance packages as have been given to Russia and the CEEC. Regions such as Mexico and Central America which exert influence on the policies of the US as well as the developing countries in SE Asia with regard to Japan may request their 'share' of G-7 attention. If this were to happen, the G-7 would need to both prioritize its agenda as well as to delegate the operation of assistance packages to new or existing forums which focus on assistance.

The level of success of their latest pledge to Russia will determine whether they can be credible in the long-term responsibilities associated with assistance packages. However,

the G-7 will need to redefine its role in international affairs. The Group will need to realize that its main priorities must continue to be the coordination of economic and monetary policies.

The Future Prospects of the G-7

Critics and supporters alike realize that the future of the G-7 will involve revision to its structure. The world that exists today is dramatically different from that which existed at the time of the first summit and will likely be different again in the near future. As has been seen, the G-7 have attempted to adapt to changing times with varying degrees of success. While the S-7 summits have continued their progression into being public affairs events, the G-7 process of cooperation and coordination in economic and political areas has overall proven to be useful. However, each can be said to have its advantages and disadvantages.

Proposed changes in the format of the G-7 include the extremes of intensifying the Group by forming an institutionalized intergovernmental structure and that of dissolving the G-7. A senior associate at the Carnegie Endowment for International Peace, Professor G. John Ikenberry presented his plan for 'salvaging the G-7' in the latest edition of Foreign Affairs. He proposed a three-point structure visibly based on that of the EC. These are: 1) a Secretariat - consisting of policy specialists to serve information and analysis needs as well as to encourage a more continuous set of policies; 2) A G-7 Council - membership would include the heads of state or government of the G-7 as well as the foreign and finance ministers. However, unlike the EC Council, this body would have no decision-making powers. A primary aim of this Council would be the creation of an Atlantic-Pacific Charter which would serve a similar function as the current bilateral declarations that exist between the participants of the G-7; and 3) a private sector consultative group - modelled after the Economic and Social Committee. Ikenberry believes this substantial revision in the G-7 is crucial in order to take advantage of the opportunity that exists "to create a kind of liberal great power 'concert' in which G-7 countries organize to coordinate collective responses ... [so that they] may finally undertake a process of substantive policy coordination, not merely to shepherd the global economy but also to devise a stable political order for the post-Cold-War world."⁸⁸

At the other extreme is the idea of dissolving the G-7 and bringing a halt to the summits. However, even its most virulent critics admit that this move would be detrimental to the concept of international cooperation. The S-7 has at least a few redeeming qualities, the least of which is that the summits force the G-7 leaders to become knowledgeable in financial and monetary issues.

The most likely future scenario is somewhere in between these two extremes, though it seems to be closer to the institutionalizing of its structure than in its dissolution. The first half of this year has witnessed calls for a deepening of the G-7 cooperation process from many familiar with the current system.

The 'de facto' role of the EC in the G-7 will need to be changed in the future. The Maastricht Treaties, which contain the legislation necessary for economic and political deepening of the Community, as well as the current steps being taken to widen the Community through the accession of states, will necessarily strengthen the EC. The increase in the current economic power that the EC already possesses will make it an ever more formidable partner in the G-7 requiring a 'de jure' position. Serious discussion of this matter should begin soon in order to keep pace with the advances being made in uniting the

Community and all of Europe.

There has also been a suggestion to further enlarge the G-7 by including Russia. Late in March Russian Foreign Minister Andrei Kozyrev, proposed that Russia become a full member of the G-7 as part of a 5-7 year program of cooperation in the areas of economics and technology.⁸⁹ While a cooperation program may be beneficial, full membership would pose a difficult situation since the main focus of the G-7 is coordination and cooperation of financial and monetary policies of which Russia has not fully shown its support for.

The upcoming Tokyo Summit provides the S-7, and the G-7 as a whole, the opportunity to define its future. The items on the agenda, including the Russian economic assistance package, the UR preliminary market access agreement, and the possible coordination of growth packages, are equally important in securing a prosperous and stable world. The powerful and influential participants of this group must transform their individual assets into an effective united force for a better future.

Assessing the Group of Seven

An assessment of the G-7 must first differentiate between the S-7 and the G-7 cooperation process. The summits, while being an "action-forcing process"⁹⁰, and bringing the leaders closer to each other as well as to the citizens of the G-7 countries, must be judged in a rather poor light. Their record of producing bland declarations that repeatedly encourage grandiose actions only to allow them to be forgotten until the next summit has brought about the necessity for this negative assessment. The members of the S-7 must take the initiative to become more involved in the summits and the G-7 process. As one report stated: "They are, after all, the leaders of the classiest club of all time, a club that has ... brought unprecedented prosperity to its members."⁹¹

The assessment of the G-7 process of cooperation and coordination in the spheres of economic and political issues is significantly more positive. As this study has attempted to illustrate, while there is still ample room for improvement, especially in the area of trade-related cooperation, the G-7 process has proven its usefulness.

Although a detailed future G-7 agenda is not yet evident and may still allow unique opportunities to be passed by, US Treasury Secretary Bentsen recently described the current G-7 agenda: "Our agenda is no longer dominated by nuclear security and the balance of power; it is one of economic cooperation and partnership that advances global peace and prosperity."⁹² The manner in which the G-7 address the points on today's agenda will define the agenda of the future.

ENDNOTES

1. The members of the G-7 are: Canada, France, Germany, Italy, Japan, the UK, and the US.
2. Robert D. Putnam. "Summit Sense." Foreign Policy. No. 55, Summer 1984: 75.
3. Rambouillet Declaration. Pt. 1. November 1975.
4. "Glitter in London." The Economist. 20 July 1991: 18.
5. Francois Mitterrand, quoted by Robert D. Putnam in "Summit Sense": 82.
6. Tokyo Declaration. Pt. 7(i). May 1986.
7. London Declaration. Pt. 10. July 1991.
8. "The First Green Summit." The Economist. 15 July 1989:11.
9. George M. von Furstenberg and Joseph P. Daniels. Economic Summit Declarations, 1975-1989: Examining the Written Record of International Cooperation. No. 72 of Princeton Studies of International Finance. (Princeton, New Jersey: International Finance Section, Department of Economics, Princeton University, February 1992) 3.
10. Robert D. Putnam and Nicholas Bayne, Hanging Together The Seven-Power Summits. (Cambridge, Massachusetts: Harvard University Press, 1984) 106.
11. Toronto Declaration. Pt. 3.5.34. June 1988.
12. Putnam and Bayne 52.
13. (Putnam 78)
14. Gianni Bonvicini and Wolfgang Wessels, "The European Community and the Seven" in Economic Summits and Western Decision-Making, ed. by Cesare Merlini (New York: St. Martin's Press, 1984) 185-186.
15. Interview with Mark Tokola, Political Section, United States Mission to the EC, 30 April 1993.
16. Danish Foreign Minister Niels Helveg Petersen as quoted by Alister Doyle for Reuters, 5 May 1993.
17. President Bill Clinton as quoted by "Clinton, Delors Urge Accord on GATT; France Vows Fight." The Wall Street Journal. 8 May 1993.

18. Interview with Toshihisa Takata, Political Counsellor, Japanese Missions to the EC, 27 April 1993.
19. Translated from "Rezession Tiefer als Erwartet". Die Welt. 30 April 1993.
20. Peter Norman, "From Sinatra to Sinatra-plus." Financial Times. 4 May 1993.
21. Annual Economic Report for 1993. (Commission of the European Communities. 1 February 1993) 6.
22. Financial Times. 23 March 1993.
23. Speech by President Bill Clinton to the people of Pittsburgh, Pennsylvania. 17 April 1993.
24. Speech by President Bill Clinton given at The American University in Washington, D.C. 26 February 1993.
25. Office of the United States Trade Representative. 1993 Trade Policy Agenda and 1992 Annual Report of the President of the US on the Trade Program. (Washington, D.C.: GPO, 1993) 31.
26. For a further discussion see "International Co-operation Past and Future." in The Oecd Observer. Vol. December 1992-January 1993. Centerfold.
27. Speech by President Bill Clinton given at The American University. 26 February 1993.
28. US Treasury Secretary Lloyd Bentsen as quoted in Jon Schaffer "Bentsen Sees Need for More Frequent G-7 Meetings." (United States Information Agency Wireless File 7, 13 January 1993).
29. Neil McGaraghan. "G-24 Scoreboard." G-24 coordination Unit, DGI, Commission of the European Communities, 1993.
30. Interview with Millie Schwenk, Economic Assistance Expert, US Mission to the EC. 18 May 1993.
31. Speech by President Clinton, 26 February 1993.
32. Joanna Pitman. "G-7 Gives Russia Billions in Aid Tied to Reforms." The Times. 15 April 1993.
33. Peter Conradi. "G-7 Torn Over Aid for Russia." The European. 18-21 March 1993.
34. Boris Johnson. "Fears for EC Aid to Russia." The Daily Telegraph. 16 April 1993.

35. Interview with Millie Schwenk, 18 May 1993.
36. Jay Branegan. "The Iron Trade Curtain." The Economist. 17 May 1993.
37. Ibid.,
38. Sir Leon Brittan as quoted by Tom Redburn in "Continental Trade Divide." International Herald Tribune. 14 April 1993.
39. 5 May 1993 Press Review of US newspapers. Delegation to the Commission of the EC. Washington, D.C.
40. Sir Leon Brittan as quoted by Quentin Peel in "Brittan's Plan for GATT Deal." Financial Times. 6 May 1993.
41. Rambouillet Declaration. Pt. 8. November 1975.
42. Keith Bradsheer. "Timetable Outlined for Trade Pact." The New York Times. 5 May 1993.
43. Sir Roy Denman as quoted by Robert D. Putnam and Nicholas Bayne in Hanging Together The Seven-Power Summits. 167.
44. Lionel Barber. "The Big Guns Head Off Trade War." Financial Times. 23 April 1993.
45. Mickey Kantor as quoted by Keith Bradsheer in The New York Times. 5 May 1993.
46. Tom Buerkle. "Accord in EC Eases Way for Global Trade Pact." International Herald Tribune. 28 May 1993.
47. Edouard Balladur as quoted by Larry Elliot and Jonathan Fenby in "France Urges Global Deal to End Trade Row." The Guardian. 14 May 1993.
48. Peter Behr. "All Eyes Are on Japan on Eve of Trade Session." International Herald Tribune. 14 May 1993.
49. Mickey Kantor as quoted in "Paris Negotiations Posed to Save World Trade Talks." The Daily Telegraph. 3 June 1993.
50. Interview with Alexandra Bensch, DG I, Directorate A, Coordination of UR Steering Group. 18 May 1993.
51. Ibid.,
52. Interview with Tim Richards, Trade Policy Expert, Economic Section US Mission to the EC. 30 April 1993.

53. Colin Narbrough. "Shaking the Trees to Harvest a GATT Deal." The Times. 3 May 1993.
54. (Putnam and Bayne). 31.
55. Versailles Declaration. Statement of international monetary undertakings. June 1982.
56. Paris Declaration. International monetary developments and coordination. July 1989.
57. Richard O'Brien. Global Financial Integration: The End of Geography. Chatham House Papers of The Royal Institute of International Affairs. (London: Pinter Publishers, 1992) 71-72.
58. XXVIth General Report on the Activities of the European Communities 1992. Commission of the European Communities. (Luxembourg: Office for Official Publications of the European Communities. 1992) 17.
59. Ambassador James F. Dobbins' speech on "Uncertainties in US-European Relations." Given to the Economic Council of the CDU in Bonn. Germany 4 March 1993.
60. Lionel Barber. "Currency Crisis Study Spreads Blame." Financial Times. 24 May 1993.
61. Treaty on European Union. Title VI Economic and Monetary Policy Article 103.4.
62. Peter Norman. "From Sinatra to Sinatra-Plus." Financial Times. 4 May 1993.
63. Terence Roth. "G-7 Nations Agree to Pursue Coordinated Growth Policies." The Wall Street Journal. 30 April 1993.
64. Treaty on European Union. Title VI Economic and Monetary Policy Article 109.3.
65. Compiled through an interview with a Commission official on the EC's working group. 10 May, 1993.
66. 1989 Paris Political Declaration on East-West relations. Pt. 3.2.3(3).
67. 1990 Houston Statement on Transnational Issues.
68. 1991 London Political Declaration. Pt.2.2.2.(3).
69. Interview with a Commission official with the EC's G-7 working group. 10 May 1993.
70. Interview with Mark Tokala. 30 April, 1993.

71. Interview with a Commission official on the EC's G-7 working group. 10 May 1993.
72. "Cinderella Gorbachev." The Economist. 20 July 1991:23.
73. Ibid.; 23.
74. "President Bush Announces G-7 Aid Plan for Russia." USA Text. (US Mission to the EC, Public Affairs Office, 1 April 1992).
75. Ibid.;
76. Peter Conradi, "G-7 Torn Over Aid for Russia." The European. 18-21 March 1993.
77. "The Vancouver Declaration." USA Text. (US Mission to the EC, Public Affairs Office, 4 April, 1993).
78. Tom Walker. "EC Ministers Prepare to Offer Moscow a Free Trade Deal." The Times. 5 April 1993.
79. Terry McCarthy. "G-7 Pledges Billions to Support Reforms." The Independent. 16 April 1993.
80. "Summit Communique - West Foresees More Close Cooperation." Financial Times. 16 April 1993.
81. David Sanger. "7 Nations Pledge \$28 Billion Fund to Assist Russia." The New York Times. 16 April 1993.
82. Anthony Williams. "Germany Takes Moral High Ground at G-7." Reuter. 15 April 1993.
83. Interview with Toshihisa Takata. 27 April 1993.
84. "Secretary of State Christopher's Statement at G-7 Meeting." USA Text. (US Mission to the EC, Public Affairs Office, 15 April 1993).
85. USA Text. 15 April 1993.
86. World Bank report for first meeting of coordinating group for Russia. Pt. 5.24.
87. Ibid., Pts. 5.9-5.22.
88. G. John Ikenberry. "Salvaging the G-7". Foreign Affairs. Spring 1993:133.
89. "G-7 Link Proposed by Russia." The International Herald Tribune. 25 March 1993.

90. Interview with Charles Reese, Acting Deputy Chief of Mission.
US Mission to the EC. 6 June 1993.
91. "The Basket-Case Summit." The Economist. 4 July 1992:13.
92. US Treasury Secretary Lloyd Bentsen as quoted in "Secretary of Treasury
Bentsen Lauds G-7 Support of Russia." USA Text. 15 April 1993.

APPENDIX A

SUMMIT CHRONOLOGY 1975 - 1992

Date	Location	Declared Objectives and Actions
November 15-17, 1975	Rambouillet	<ul style="list-style-type: none"> -Overcome high unemployment, inflation, and energy problems -Monetary understanding to intervene in markets in case of sudden fluctuations in exchange rates
June 27-28, 1976	Puerto Rico	<ul style="list-style-type: none"> -Achieve steady expansion, reduce unemployment, complete Tokyo Round of GATT by end of 1977 -Agree to avoid excessive stimulation of individual economies
May 7-8, 1977	London	<ul style="list-style-type: none"> -Create jobs, reduce inflation, make progress towards completion of Tokyo Round, seek cooperation with international institutions (IMF, World Bank, Gatt, and OECD) -Commit to specific growth targets
July 16-17, 1978	Bonn	<ul style="list-style-type: none"> -Create more jobs, fight inflation, set limits for imported oil in the EC and US, establish time-table for the completion of the Tokyo Round by December 1978 -Agree to take economic action as required (i.e., US to reduce inflation, Japan to increase domestic demand), joint resolution condemning international terrorism
June 28-29, 1979	Tokyo	<ul style="list-style-type: none"> -Note urgency to reduce oil consumption and speed development of alternative sources of energy, intensify individual economic policies to reach balance among participants -Set quantified import levels for oil up to 1985
June 22-23, 1980	Venice	<ul style="list-style-type: none"> -Top priority of reducing inflation, encourage investment and innovation -Establish measures to reduce oil consumption, political declaration condemning Soviet invasion of Afghanistan and international hostage-taking, endorse conclusion of Tokyo Round
July 20-21, 1981	Ottawa	<ul style="list-style-type: none"> -Need for economic stimulus, reduction of inflation and unemployment are highest priorities, minimize fluctuation in exchange rates, encourage steps to preserve the environment -No major policy actions were announced, opinion concerning East-West trade relations (i.e., Soviet pipeline issue) was divided
June 4-6, 1982	Versailles	<ul style="list-style-type: none"> -Increase in economic growth, reduce unemployment, have diversified but cautious approach to E-W trade, move towards a more orderly international monetary system in which IMF should play a major role -Monetary accord agreed upon

APPENDIX A, continued

Date	Location	Declared Objectives and Actions
May 28-30, 1983	Williamsburg, U.S.A.	<ul style="list-style-type: none"> -Maintain low inflation, reduce unemployment, interest rates, and budget deficits -Statement on defense and arms reduction, call for arms reduction talks with the USSR
June 7-9, 1984	London	<ul style="list-style-type: none"> -Control monetary growth, reduce interest rates and inflation, pursue increased cooperation with the USSR -Intensify discussion of developing countries' debt problems
May 2-4, 1985	Bonn	<ul style="list-style-type: none"> -Resist protectionism, improve stability of international monetary system, reduce inflation -Support opening of new GATT round, economic action plans of each member stated, continued dialogue with developing countries, political declaration on 40th anniversary of end of WWII reaffirms commitment for coordination among participants
May 4-6, 1986	Tokyo	<ul style="list-style-type: none"> -Long-term approach to economic growth is encouraged, need for continued improvement in growth and fighting of inflation, control public spending -Formation of G-7 Finance Ministers group to meet between G-7 summits, increased cooperation with the IMF in order to strengthen multilateral surveillance
June 8-10, 1987	Venice	<ul style="list-style-type: none"> -Fight unemployment, public sector deficits and high interest rates, reform structural policy to promote job creation, resist protectionism -Endorse G-7 Finance Ministers' plan for increasing multilateral monetary surveillance
June 19-21, 1988	Toronto	<ul style="list-style-type: none"> -Sustain non-inflationary growth, strengthen efforts for coordinated policies, continue to resist protectionism, increase cooperation in environmental conservation -Encourage progress for mid-term review of the Uruguay Round
July 14-16, 1989	Paris	<ul style="list-style-type: none"> -Maintain balanced growth, fight inflation and unemployment, encourage integration of developing countries into international economy, urgent need to increase environmental safeguards -Commit to completion of the Uruguay Round by the end of 1990, support a number of environmental protection activities, political declaration in support of reform in Poland and Hungary and request Commission of the EC to coordinate aid to these countries

APPENDIX A, continued

Date	Location	Declared Objectives and Actions
July 9-11, 1990	Houston	<ul style="list-style-type: none"> -Balanced growth, reduce deficits, encourage investment, state need to lower agricultural subsidies, requirement of common indicators to examine economic growth, commend Commission of the EC for coordination of G-24 assistance to Central and Eastern Europe -Give 1990 conclusion of the Uruguay Round highest priority, recognize need for improved access for export from Central and Eastern Europe, in "Securing Democracy" declaration, requested detailed study of the Soviet economy
July 15-17, 1991	London	<ul style="list-style-type: none"> -Promote true multilateral system in which responsibility is shared, need for sustained recovery, price stability, reduce interest rates, encourage private saving -Commit to balanced trade package and completion of the Uruguay Round by the end of 1991 even if personal involvement is necessary, invitation to Soviet President Gorbachev to summit to discuss Soviet reforms and their implementation, commend the Commission of the EC for role in G-24 coordinated assistance to Central and Eastern Europe
July 6-8, 1992	Munich	<ul style="list-style-type: none"> -Agree to closely monitor economic and monetary conditions, work towards stable growth and increased stability in exchange markets, reduce interest rates and excessive public deficits, limit public spending while encouraging private saving, promote environmentally-friendly products, encourage competition -Work towards completion of the Uruguay Round by end of 1992, presented political declarations on countries of Central and Eastern Europe and the former Yugoslavia

Sources: Declarations of Western Economic Summits 1975-1992, and Putnam, Robert D., Bayne, Nicholas. "Hanging Together: The Seven-Power Summits." Harvard University Press, Cambridge. 1984.

APPENDIX B

GLOBAL PARTNERS IN TRADE: A COMPARISON

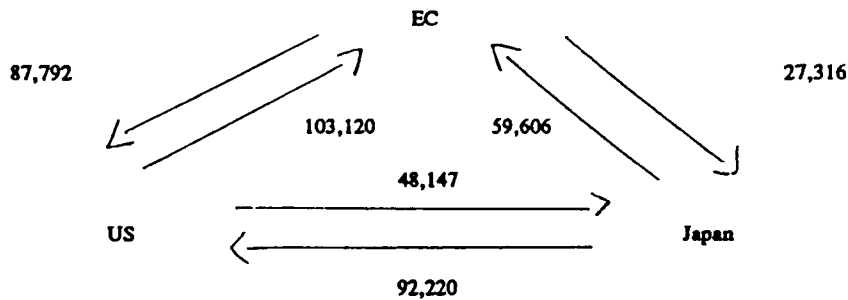
Shares in World Trade - Exports
1991 Figures in US\$ billion

	US\$ billion	%
EC	1368.1	39.6
EFTA	214.9	6.2
US	421.8	12.2
Japan	314.9	9.1
Others	<u>1134.7</u>	<u>32.8</u>
Total	3454.4	100%

Shares in World Trade - Imports
1991 Figures in US\$ billion

	US\$ billion	%
EC	1456.4	40.7
EFTA	215.5	6.0
US	509.3	14.2
Japan	236.6	6.6
Others	<u>1159.9</u>	<u>32.4</u>
Total	3577.7	100%

EC, US, and Japan Trilateral Trade
1991 Figures in US\$ million



% Share of GDP
1990 Figures

	%
EC	27.4
US	25.1
Japan	13.7
Others	33.8

Source: Direction of Trade Statistics. International Monetary Fund.

APPENDIX C

SELECTED ECONOMIC INDICATORS

GDP/GNP Percent Change From Previous Year
(Weight in 1985 ppp)

	1988	1989	1990	1991	1992*
G-7(GDP)	4.5%	3.2%	2.0%	0.4%	1.4%
EC(GDP)	4.0%	3.3%	3.3%	1.4%	0.7%
US(GDP)	4.7%	2.5%	1.0%	-1.2%	2.1%(end of yr)
Japan(GNP)	6.3%	4.7%	4.9%	4.0%	2.0%

*2nd qtr. figures

Trade Balance
(In US\$ millions)

	1988	1989	1990	1991	1992
G-7	-1951	-2865	-2786	-642	-
EC	-989	-2035	-3137	-6004	-
US	-9877	-9117	-8419	-5401	-
Japan	6433	5375	4329	6504	-

Unemployment

	1988	1989	1990	1991	1992
G-7	6.1	5.7	5.6	6.3	-
EC	9.9	9.0	8.4	8.7	9.4
US	5.4	5.5	5.4	6.6	7.2
Japan	2.5	2.3	2.1	2.1	2.1

Short-Term Interest Rates

	1988	1989	1990	1991	1992
Euro-dollar	7.91	9.22	8.21	5.92	3.77
US	7.73	9.08	8.15	5.83	3.68
Japan	3.96	4.73	6.93	7.39	4.48

Consumer Prices Percent Change From Previous Year
(Weight based on the previous years private consumption expenditure and the ppp)

	1988	1989	1990	1991	1992
G-7	3.0%	4.9%	5.3%	3.8%	3.1%
EC	2.7%	5.1%	5.6%	4.7%	4.3%
US	4.1%	4.8%	5.5%	4.2%	3.0%
Japan	.70%	2.3%	3.1%	3.3%	1.7%

Source: All statistics used or compiled from OECD Main Economic Indicators.

APPENDIX D

INTERNATIONAL ORGANIZATIONS

Name	Year Established	Current Members	Objectives
International Organizations focusing on Economic and Monetary Cooperation			
General Agreement on Tariffs and Trade (GATT)	1948	103 Contracting Parties + 29 countries having a 'de facto' membership	Multilateral treaty establishing trade rules, rights, and responsibilities in order to bring growth through trade
Group of Five (G-5)	1967	France, Germany, Japan, UK, US, (finance ministers and central bank governors)	Informal meetings on internationaleconomic and monetary developments
Group of Seven (G-7)	1975	Canada, France, Germany, Italy, Japan, UK, US, (EC)	Cooperation on a broad agenda including economic and political areas
Group of Ten (G-10)	1962	Belgium, Canada, France, Germany, Italy, Japan, Netherlands, Sweden, Switzerland, UK, US	Discussion of issues related to the international monetary system
Group of Twenty Four (G-24)	1989	Australia, Austria, Belgium Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, UK, US	Coordination of economic assistance to Central and Eastern Europe in order to create lasting reform on a commercial basis
International Monetary Fund (IMF)	1945	157 countries	Forum for discussion of common exchange problems and other related monetary policies. Also provides short-term financing to members in order to rectify trade imbalances subject to positive policy reform

Name	Year Established	Current Members	Objectives
Organization for Economic Cooperation and Development (OECD)	1961	Australia, Canada, Japan, New Zealand, US, Western Europe	To achieve sustainable economic growth and employment as well as to maintain monetary stability

International Organizations focusing on Political and Security Cooperation

Conference on Security and Cooperation in Europe (CSCE)	1972	All European states, NIS, Georgia, Canada, US	To provide a transatlantic as well as pan-European forum for negotiations on security issues
North Atlantic Treaty Organization (NATO)	1949	Belgium, Canada, Denmark, France, Germany, Greece, Iceland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Turkey, UK, US	Mutual cooperation in military affairs, and provide effective defense
Western European Union (WEU)	1954 (reactivated in 1984)	Belgium, France, Germany, Italy, Luxembourg, Netherlands, Portugal, Spain, UK	To develop a common European defense and strengthen the European pillar of the Atlantic Alliance

Source: Compiled from the Yearbook of International Organizations 1992/1993. Vol. 1, 29th Edition. Edited by the Union of International Associations.

APPENDIX E

BREAKDOWN OF 1993 G-7 ASSISTANCE PACKAGE TO RUSSIA

Amount	Target	Source	Method of Disbursement
Initial Support for Stabilization			
\$3 billion	Support for reforms	IMF	Through IMF's new Systematic Transformation Facility. First \$1.5 billion will be disbursed after a clear policy commitment to reforms; second \$1.5 billion after progress in controlling inflation.
\$1.1 billion	Import loans	World Bank	Assistance to IMF
Full Stabilization Plan			
\$4.1 billion	Standby loans	IMF	Offered in 1992. Available after Russia implements a comprehensive stabilization plan. Will be disbursed in stages.
\$6 billion	Ruble stabilization fund	IMF	Offered in 1992. Available after economic criteria are met.
Structural Reforms and Necessary Imports			
\$10 billion	Support of reform effort	G-7 guarantees and export credit agencies	Direct credits
\$3.4 billion	Energy and agricultural areas, privatization of state-owned enterprises	World Bank	Loans
\$5 billion	Energy	EBRD	Co-financing with World Bank
\$3 billion	SMEs	EBRD	According to EBRD lending criteria
<hr/>			
\$28.4 billion			
\$15 billion (previously announced)		Paris Club	Rescheduling of debts due in 1993
<hr/>			
\$43.4 billion			

Source: Compiled from Jon Schaffer, "G-7 Unveils \$28,400 million Aid Effort for Russia." USIA Wireless File. 16 April 1993.

