

G8 summit of disarray

The Editorial Board
19 May 1998

More than any previous annual summit, the gathering of the Group of Eight leaders in Birmingham, England last weekend demonstrated the incapacity of the capitalist powers to control the economic and social forces unleashed by the global market. Even as they assembled, the heads of government were haunted by the spectre of mass unrest in Indonesia and India's decision to test nuclear weapons.

When the same eight figures assembled in Denver last year, no one even predicted the collapse of the so-called Asian miracle, which provided half of world economic growth during the 1990s. This year, in the wake of the widening Asian disaster, there were earnest preliminary discussions about revamping the "global financial architecture" to prevent further breakdowns.

But the leaders of the United States, Japan, Germany, Britain, France, Italy, Canada and Russia were unable to agree on anything -- except to issue further mantras about the wonders of the capitalist market.

As for the unemployment, poverty and social misery inflicted on millions of working people across Indonesia, South Korea, Thailand and other East Asian countries since the financial meltdown began last July, the G8 leaders had one answer -- "strict enforcement" of the demands of the International Monetary Fund.

For all the lip service paid to protecting "the poor and most vulnerable" from the worst effects of the economic crisis, this prescription means further entrenching the economic and political mechanisms that have already provoked violent upheaval in Indonesia, setting the stage for intensified class conflicts around the globe.

In the leadup to the summit there was increasing talk in world financial circles about devising a new structure to regulate the world economy. Opening the G7 meeting on the eve of the summit (Russia was excluded from the financial discussions), British Prime Minister Tony Blair declared: "The Asian crisis has revealed that there are potential weaknesses and vulnerabilities in the global financial system. We therefore see an urgent need to take steps to strengthen the global financial architecture, to

reduce the risks of such crises recurring and to produce a system that is more robust to shocks when they occur."

But no agreement could be reached. Instead, rival and conflicting proposals were referred back to finance ministers. They included a British scheme for merging the surveillance functions of the IMF and World Bank, a French call for the strengthening of the IMF, a Canadian notion of forming a new secretariat to supervise national banking systems. How any of these would regulate the more than \$1 trillion flooding through global money markets daily was not explained.

A similar fate befell nearly every item listed by Blair for the summit, which included debt relief for impoverished countries, international crime, the Middle East "peace process", the Kosovo crisis and the Northern Ireland settlement.

In the end, the 10-page summit communique, issued on Sunday May 17, provided a list of fundamental challenges, but no answers: "In a world of increasing globalisation we are ever more interdependent. Our challenge is to build on and sustain the process of globalisation and to ensure that its benefits are spread more widely to improve the quality of life of people everywhere. We must also ensure that our institutions and structures keep pace with the rapid technological and economic changes under way in the world."

On debt relief, Blair's stated intention to "give Africa a future" and assist "post-conflict" nations, came to nothing. Outside the summit, some 50,000 people, organised by environmentalist and radical groups, formed a 9 kilometre human chain demanding that rich nations release poor countries from their debts by 2000. Inside, Germany accused Blair of hypocrisy because of Britain's record of not writing off debts, while Japan warned of a "moral hazard" that would undermine the banking system if debt obligations were ignored.

Nothing was resolved, except that debt-ridden countries must adhere to an IMF "structural adjustment program" for six years, along the lines of that demanded of Indonesia. If they fail to meet the stringent conditions in

any one year, they must start again for another six years. Mozambique, one of the few countries granted relief, has so far been forgiven just 4 percent of its debt, worth about 50 cents per head per year. (Meanwhile the United Nations estimates that the lives of 21 million children could be saved by 2000 in Africa alone if the continent were relieved of its debt repayments.)

The deliberations were dominated more than ever by fierce antagonisms between the rival powers. No issue displayed this more vividly than India's nuclear tests. US President Bill Clinton arrived at the summit having initiated sanctions against India to punish it for breaching the nuclear monopoly officially enjoyed by the US, Britain, France, Russia and China. He urged his counterparts to do the same.

But Clinton was rebuffed even by Britain, one of the United State's closest military allies. In opposing sanctions, Blair was joined by French President Jacques Chirac and Russian President Boris Yeltsin. All hope to benefit from the US sanctions by expanding their trade and investment links to India.

On the surface, the summit saw a lessening of tension between Japan and its American and European rivals, who over the past six months have jointly lashed Prime Minister Ryutaro Hashimoto's government for not taking more decisive measures to boost the Japanese economy and open its markets to international competition. The G8 communique "strongly welcomed" Japan's latest economic stimulus package.

Yet the primary reason for avoiding further "Japan bashing", to use the language of the financial media, is fear that it could worsen the latest wave of the economic crisis engulfing Asia, sparked by the rioting and looting in Indonesia. "If the G8 pressures Japan too much, you might see a sharp fall in the yen and a spate of other devaluations in Asia," commented David Brickman, a London economist. Even so, the yen fell from 133.63 to 134.53 to the US dollar during the summit, amid concerns that the upheaval in Indonesia would further damage Japan's debt-ridden banking system.

After the summit, Clinton and Blair hailed a deal on breaking down trade barriers between America and the European Union as a new "transatlantic economic partnership". But its signing was little more than an attempt to stave off growing conflicts, particularly on agricultural subsidies. Washington warned of retaliation against the EU subsidies on grain while the EU responded in kind over US subsidies for poultry exporters. In the end, Clinton was also forced to exempt European firms

from US laws prohibiting trade with Cuba, Iran and Libya, an exemption that may be overturned by the US Congress.

Not only did it prove impossible for the eight leaders to elaborate a coherent and unified response to any global conflict, they each face major domestic crises. Clinton confronts an ongoing series of scandals fomented by political opponents; Hashimoto has become a lame-duck leader unlikely to survive beyond upper house elections in July; Yeltsin has recently sacked his entire cabinet; and Germany's Chancellor Helmut Kohl is heading for defeat in this year's general election.

Blair is also dogged by the possible failure of his proposed agreement for Northern Ireland. He was forced to appeal to Clinton for support in the face of growing Unionist opposition. Together they engaged in outright economic blackmail, warning that investment would be withdrawn from Northern Ireland if Friday's referendum did not endorse the pact.

Annual economic summits between the major capitalist powers were first initiated in 1975 in an attempt to devise a mechanism to replace the Bretton Woods system of regulated national currencies that collapsed in 1971. The five original participants -- the US, Britain, France, Japan and Germany -- were later joined by Italy, Canada and, this year, Russia. But every summit has proved increasingly powerless to control the mounting class tensions, nationalist conflicts and inter-imperialist antagonisms produced by the global profit system.

Particularly over the past decade, the fracturing of the old Cold war consensus has seen government heads unable to agree on any unified economic strategy. More starkly than ever, the 1998 summit has shown that these governments are being overwhelmed by the objective rush of events that are deeply rooted in the crisis of capitalism.



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