

The growing irrelevance of the G8 summit

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The inaugural summit of the major capitalist powers—the grouping now known as the G8 and including Russia—was held in France in 1975. It was convened to develop a global response to the oil price shock of 1973-74 and the development of the deepest global recession, to that point, since the 1930s Depression.

At that summit, and those which immediately followed, there were developed co-ordinated, although limited, responses to the problems of the world capitalist economy. But those days have long gone.

Last week's summit, held on Sea Island, off the coast of Georgia in the US, was convened amidst rising oil prices and concern over their impact on a world economy that is largely dependent on rising indebtedness in the United States and an investment boom in China.

However, it is a measure of the irrelevance of the G8—a product of both the inability and the unwillingness of the major powers to advance a co-ordinated economic program—that these issues were barely mentioned, let alone discussed, at last week's meeting. Consequently it was little more than a very expensive photo opportunity, sandwiched between the D-Day commemorations and the Ronald Reagan funeral.

Even before the summit began it had been largely written off. An editorial in the *Financial Times* noted that while the global economy would be high on the “list of concerns” of the heads of governments, “whatever they think and say at this uncertain juncture, the one sure thing is that there is not much they can do.” The G8 could do little “except watch and hope that the rise in oil prices does not derail an unbalanced but still welcome global recovery.”

Once the summit began, the Bush administration sought to build on the unanimous UN Security Council decision to rubber-stamp its puppet interim government

in Iraq as Bush called for a greater involvement of NATO in Iraq. However, his remarks revealed continuing differences as French president Jacques Chirac voiced his objections. “I do not think that it is NATO's job to intervene in Iraq,” he said. “Moreover, I do not have the feeling that it would be either timely or necessarily well understood. I see myself with strong reservations on this initiative.”

Some of the economic conflicts over Iraq were revealed in the discussion over debt relief. Because it has no outstanding debts owed to it, the Bush regime is calling for Iraq's estimated foreign debt of around \$120 billion, owed to other governments, to be wiped out. It argues that because the debt was accrued by the Saddam Hussein dictatorship the slate should be wiped clean—an argument which was totally rejected in an earlier period when the Western powers insisted that the Bolsheviks pay the debts incurred by the czarist autocracy in full.

In the case of Iraq, the Bush regime is anxious that rather than oil revenue being used to pay France, Russia and other creditors, it should be used to finance reconstruction and other infrastructure projects, for which US firms will be given the most lucrative contracts.

The debt relief issue brought objections from Chirac, who pointed out that the US was extending far greater debt relief to Iraq than was being extended to the highly indebted and impoverished countries of Africa. They received no new concessions on debt, or on trade access from the summit.

As far as the Iraqi debt issue is concerned, a Russian official, speaking on behalf of President Putin, pointed to the underlying issues. Russia was ready to agree to the wiping out of 65 percent of the Iraqi debt in return for access for Russian businesses to Iraq. He quoted Putin as telling Bush that “our flexibility will depend on yours and the capacity of our businesses to work in

Iraq.”

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When it came to the world economy, discussion followed the script agreed on at the finance ministers’ meeting held in May. That meeting noted that recovery in the global economy is “proceeding rapidly”, hailed the development of more flexible labour, product and capital markets, and reaffirmed a commitment to “early progress on and early conclusion of the Doha round” of trade discussions in the World Trade Organisation without making any specific commitments.

There was one disagreement, however. The US briefing singled out growth rates in the eurozone as lagging behind the rest of the G8 and the “emerging markets”. This brought a reply from Chirac that US deficits could endanger world growth. Chirac said that he and some other leaders were concerned about the “possible consequences of the large US budget and trade deficit for the future and notably on interest rate developments”.

There is plenty to be worried about. Following the summit, the latest US figures showed that the monthly trade deficit had blown out to an all-time record of \$48 billion, well above what had been expected. The trade figures are only the sharpest expression of the historically unprecedented imbalances in the world economy as growth is sustained by rising US indebtedness, financed by massive purchases of American financial assets by the Asian central banks.

But these issues were passed over at the summit. Instead there was a display of unity, as the heads of government zipped about the island on hi-tech golf buggies, Bush posed with German Chancellor Gerhard Schroeder, and Bush and Chirac exchanged pleasantries over the qualities of American cuisine, with special praise for a cheeseburger.

There seems to be a law of inverse proportionality operating at the G8 summits: the more serious the issues confronting the world economy, the less they are able to be even discussed, let alone be tackled through the development of co-ordinated policies. This is a product of two processes: the vast movements of finance capital which are increasingly beyond the control of any government or group of governments on the one hand, and the sharp antagonisms among the major capitalist powers on the other.



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