



# BULLETIN

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## The L'Aquila G8 Summit

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*During the L'Aquila summit of 8–10 July 2009, G8 leaders confirmed the decisions taken during the G20 London Summit, during which that group took over initiative in matters connected with the world economy from the G8. One of the important declarations adopted during the July meeting was the readiness of G8 countries to reduce CO<sub>2</sub> emissions by 80% by 2050. Nevertheless, the division between developed and developing countries on the subject of the future climatic agreement remains clear. In addition, it was decided to earmark US\$20 billion to support agricultural production in the poorest countries. The decision to extend the G8+G5 meetings for two more years is indicative of a search for a new G8 formula.*

In addition to the G8 states, participants of the summit in L'Aquila also included representatives of the largest emerging economies (Brazil, China, India, Mexico, and the Republic of South Africa—the G5); other states that are members of the Forum of Main Economies (Australia, the Republic of Korea, Indonesia, Denmark—the host of the next UN conference on climate change—and Sweden, which holds the chairmanship of the European Union Council); African states (Algeria, Angola, Ethiopia, Libya, Nigeria, and Senegal), as well as specially invited leaders from Egypt, Spain, the Netherlands and Turkey. Such a large number of participants at the G8 summit makes the need to find a new formula for future meetings increasingly clear. The growing importance of some countries and the global character of existing challenges mean that decisions affecting the most important international issues can no longer be taken solely by the G8. For this reason, it can't be ruled out that during one of the future summits the G8 may be officially replaced by, for example, the G13, as may be indicated by the decision to extend the G8+G5 meetings for two more years. The effectiveness of initiatives undertaken by the G8 on the world's most important issues (this year, the main themes addressed at the summit were the world economy, climate change and development assistance) depends on cooperation with other states to an ever greater extent although, at the same time, it is expected that G8 members will lead the way in their implementation.

**The World Economy.** Leaving the economic crisis behind and returning to the path of economic growth remains a priority for G8 states, all of which have noted a drop of GDP in the first quarter of 2009. In truth, certain macroeconomic indicators are beginning to show signs of improvement but, according to IMF forecasts, lasting economic recovery will not start earlier than in the second half of 2010. Key decisions concerning economic stimulation and reforms of the financial markets and international financial institutions took place during the G20 summit in London in April 2009, and for this reason, it was difficult to expect many new initiatives after the meeting in L'Aquila.<sup>1</sup> In their declaration, G8 leaders confirmed, above all, the commitments from the London summit and promised the rapid implementation of decisions taken there. New announcements included moving away from measures used in the past few months to produce currency devaluations that were supposed to lead to the increased competitiveness of exports; measures aimed at limiting the social effects of the crisis, including spread of voluntary international standards of corporate social responsibility; and preparations, with the help of the IMF, of an adequate strategy to move away from

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<sup>1</sup> See: A. Gradziuk, "The G20 Plan of Recovery and Reform of the Global Economy," *Bulletin* (PISM), No. 19 (19) of 7 April 2009.

extraordinary fiscal incentives which already constitute a serious burden on the public finances of many countries. An overview of the measures taken so far to counteract the crisis will take place at the G20 summit in Pittsburgh in September 2009. The G8 summit in L'Aquila showed that in the near future the most important decisions concerning the world economy should be expected following meetings of the G20 countries.

One of the important declarations adopted in L'Aquila by the G8 and G5 was the announcement that the WTO trade liberalization negotiations as part of the Doha round would be completed in 2010. The ministerial meeting preceding the G20 summit in Pittsburgh will be an opportunity to speed up these negotiations. During last year's ministerial meeting in Geneva a compromise on the most important issues was very close thanks to, among other things, the political declaration made by G8 leaders at the Toyako summit. The breakdown of negotiations due to a lack of understanding about the introduction of special protective mechanisms, as well as the crisis itself, led to the decreased significance of the Doha round for the most important countries, as a result of which it proved impossible to break the impasse during in the following months. The L'Aquila declaration should have a positive impact on the course of the negotiations, though it remains unclear what trade liberalization measures the United States would agree to under the leadership of Barack Obama.

**Climate Change.** The G8 summit in L'Aquila brought new important declarations prior to the UN climate change conference which is planned for December 2009 in Copenhagen and during which a new climate change agreement is to be concluded. The most important of them concerns industrialized countries' reduction of greenhouse gasses by 80% by 2050, although the base year for those reductions (1990 or later) has not been agreed upon. It was also announced that the global temperature increase in comparison with the pre-industrial age should not exceed 2°C, something that indicates political support for the results of scientific research, including the conclusions contained in the report of the Intergovernmental Panel on Climate Change. Such a cap on temperature increase will require global reductions of CO<sub>2</sub> emissions of 50%, a goal that G8 countries intend to work for. However, it proved impossible to incline other participants of the Forum of Main Economies to adopt this target. China, which has the largest emissions levels, argues that binding reduction targets could have a negative impact on economic growth. It also proved impossible to adopt medium range reduction targets (until 2020), one of the most difficult negotiation issues. For this reason a compromise on a new climate agreement will be a very difficult to achieve at the conference in Copenhagen.

The definition of specific measures to be taken and sources for their financing is of key importance for limiting climate change. G8 leaders confirmed that in order to meet reduction targets, it will be necessary to use market mechanisms and to develop and implement low-emissions technologies. For this reason, the wider use of flexible mechanisms of the Kyoto protocol was announced, including the inclusion in the Copenhagen agreement of sectoral emissions-trading and mandatory emission reduction targets for air and sea transport. Also announced was increased cooperation in the development of clean technologies, the elimination or limitation of barriers in trade in environmental protection goods and services and the implementation of a policy leading to improved energy efficiency (in keeping with the recommendations of the International Energy Agency presented during last year's G8 summit in Toyako). Participants stopped short of making clear declarations concerning the financing of measures aimed at reducing emissions and aiding developing countries to adapt to climate change, something which, in addition to emissions levels, is the most difficult topic in negotiations about the future agreement.

**Other Issues.** A "traditional" topic of sorts during G8 meetings is assistance to poor countries, especially in Africa. In this context, the principal theme of discussions this year was food security. US\$20 billion over three years were earmarked for the development of agricultural production in Africa. This form of assistance is to be more effective than those used until now and which depended on direct food supplies, something that had a negative impact on the revenues of local producers. Moreover, G8 leaders upheld their promise, made in 2005, to double developmental assistance for developing countries by 2010.

The most important political issue discussed in L'Aquila was the question of Iran. G8 leaders gave expression to their serious concern about the situation in that country following the last presidential elections and called on Iran to resolve its political problems through democratic dialogue. They also declared their willingness to engage in direct negotiations on the subject of Iran's nuclear program that should lead to a consensus before the UN General Assembly meeting in September. Other issues discussed included piracy and security of maritime shipping, North Korea's nuclear test, and the situation in the Middle East, Afghanistan, Pakistan and Myanmar.

In 2010, the G8 summit will be held in Huntsville, Canada.