"Increasingly, the G8/G7 declarations are largely a laundry list of transnational problems and a compendium of promises--many of which are subsequently broken."

--Foreign Policy in Focus

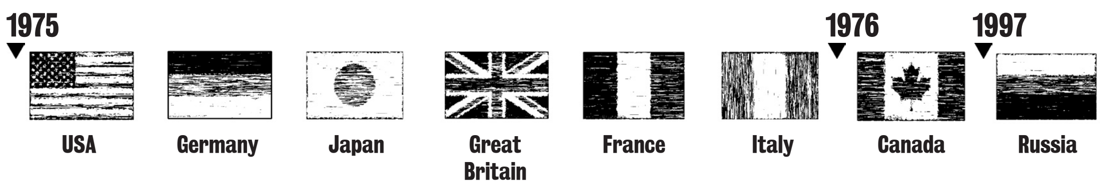
The G7/G8 has, over the last quarter-century, emerged as the central forum for global governance, and the decisions made at the annual Summit have come to shape key decisions in the management of global political and economic affairs.

By virtue of its combined economic, military, diplomatic power and influence, the nations of the G8 have tremendous influence over multilateral institutions of global governance, such as the **UN Security Council**, the **World Trade Organization (WTO)**, the **International Monetary Fund (IMF)**, the **World Bank,** and the **Organization for Economic Cooperation and Development (OECD).**

What is the G8?

The G8 is perhaps best thought of as "the G7 plus one." The G7 is a forum for the leaders of seven of the richest and most powerful countries in the world: Britain, Canada, France, Germany, Italy, Japan and the United States. Since 1975, when they first met in Rambouillet, France, the G7 has met annually to discuss global economic and political issues. When Russia began its transition to a market economy in 1994, the G7 countries invited Russia as a partner to the summits, although Russia is not allowed to participate in all of the G7 discussions on economics and finance. The G7 plus Russia meetings became officially known as G8 Summits in 1997 at the Denver Summit of the Eight. The President of the **European Commission** also attends G8 Summits as an observer, and recently, heads of the World Bank, the IMF, the WTO and the UN have also been attendance.

Since 1998, the Summits have been for leaders only, with G7 Foreign and Finance ministers meeting separately in advance. Trade Ministers, Labour Ministers and Environment Ministers also meet throughout the year in the lead up to the G8 Summit. Agreements reached at these meetings are usually then discussed by the leaders at the G8 Summit. As well, there are various working groups or task forces set up by the G7/G8 which study such things as drug related money laundering, nuclear safety, renewable energy, terrorism, and multilateral development bank reform.



How did we end up with the G8?

During the Second World War, leading politicians gathered in Bretton Woods, New Hampshire to talk about how to regulate the global economy after the war. The hope was to set up a new system that would avoid a repeat of the 1929 financial crisis that led to the Great Depression. Only 44 countries attended the 1944 conference, at the invitation of the United States. Few developing countries were represented as most were still colonies. After independence, these countries joined the institutions created at Bretton Woods—the International Monetary Fund and the World Bank, but were given little opportunity to influence their direction.

Before the Bretton Woods conference, the British government asked John Maynard Keynes, the famous economist, to draft a plan. Keynes proposed a plan that would allow governments to control private financial flows. Keynes called one of his drafts a plan for financial disarmament. But the USA, which emerged from the war as an economic power-house and holder of Britain's debts, rejected Keynes ideas. Wall Street wanted freedom of capital movements and US industrialists wanted the US dollar to be the dominant currency. At Bretton Woods the US succeeded in establishing the dollar to be "good as gold" by establishing a system which pegged currencies to the US dollar, and the US dollar was linked to gold at the fixed price of $35 an ounce.

In 1961, finance ministers and central bank governors from the US and nine European countries formed the G10 to circumvent the need to the richest industrial countries to seek balance of payments support solely from the IMF.

In 1971, the US, faced with

staggering inflation and balance of payment problems brought on by the Vietnam War, unilaterally decreed that dollars could no longer be exchanged for gold, which was followed by a rapid expansion of unregulated international finance. The uncertainty of this time, noted as the end of the Bretton Woods era, was further exacerbated by the 1973 oil price crisis.

In the increasingly chaotic financial system of the 1970s, the G10 was convened many times but was unable to reach viable agreement on a new system. The Americans increasingly found the G10 to be an unsuitable forum to secure outcomes it sought, as it was heavily dominated by European nations.

American aversion toward the G10 had, in the meantime, led increasingly to bilateral discussions between US, France, Japan, Germany and Britain. This informal group, the G5, began meeting in 1973. Italy was invited in 1975 for a mountaintop Economic Summit in Rambouillet, France. The US, leery of another European common front, insisted Canada be invited to join, and in 1976 the G7 was born.

FROM THE LAST FEW COMMUNIQUES

Köln 1999

"We therefore renew our commitment to pursue appropriate macroeconomic policies and structural reforms. These will contribute to more balanced growth in the world economy, thereby reducing external imbalances... Without an open, rules-based world trading system and the beneficial flows of goods and services it encourages, the countries affected would be having much greater difficulty recovering from these crises and stabilizing their economies."

Birmingham 1998

"We reaffirm our strong commitment to continued trade and investment liberalisation within the multilateral framework of the WTO... We call on all countries to open their markets further and resist protectionism."

Okinawa 2000

"We encourage multilateral development banks and international financial institutions to support developing countries' efforts to create a favourable trade and investment climate".

Genoa 2001

"Open trade and investment drive global growth and poverty reduction. That is why we have agreed today to support the launch of an ambitious new Round of global trade negotiations with a balanced agenda."

What do the G8 talk about?

Although representing elected heads of government, the G7/G8 meet in secret. Unlike legislatures, there is no transcript of discussions. Although preparatory documents and discussion papers for the Ministerial and Leaders meetings are prepared by public servants for public officials, these papers are rarely released to the public. The primary insight into G8 discussions comes from the Communiqués issued at the end of meetings, which are summaries of the discussions.

Topics for discussion at the G7/G8 have grown over the years, but economic issues still dominate the agenda. In the early days of the G7 meetings, they were mostly preoccupied with differences between themselves. The 1982 debt crisis in developing countries changed this permanently, and the G7 has since focused on shaping the global economy and has increasingly become the central body of global economic governance.

Typically, G7/G8 Communiqués acknowledge global problems—poverty, environment, debt, financial crisis, stagnant growth or terrorism, for example. Every year, the G7/G8 put forward what they see as solutions, which are then implemented by institutions under G7 control, such as the World Bank, the International Monetary Fund, and the World Trade Organization.

Whereas the list of problems under discussion at the G7/G8 vary somewhat from year to year, what is invariable in the G7/G8 Communiqués is a renewal of vows for neoliberal globalization and the reforms which enable this: trade and financial liberalization, privatization, labour market flexibility and macroeconomic policies that are deflationary such as zero-deficit budgeting and high interest rates.

Often this renewal of vows to neoliberal globalization is buried by G7 commitments to such things as debt relief, or more recently new funds for basic education and the fight against infectious diseases. If debt relief is any indicator, the G7 either make a lot of promises they are not prepared to keep, or they use the promises as carrots tied to the usual sticks of liberalization and privatization.

As the G8 has no permanent secretariat, the chair is responsible for organizing and hosting the Summit. The chair rotates every calendar year amongst member nations, with the exception of Russia, in the following order: France, the United States of America, the United Kingdom, Germany, Japan, Italy, Canada. Each host has the opportunity to add issues to the agenda. For the 2002 G8 Summit in Kananaskis, Canada chose three themes - the global economic downturn, terrorism and Africa.

The G7/G8 has yet to acknowledge that what they see as the solutions to global problems are actually part of the problem.

The G7/G8 meet, they talk. So what?

The G7 and G8 fora are "talk shops" that have no implementational or operational capacity. However, nothing consequential happens in the formally constituted international organizations that do have operational capabilities – the World Bank, the IMF and even the WTO - without prior consent of the G7 and usually the active endorsement of the G7/G8 fora. It is through these international institutions that the decisions made at the G8 become operational.

The World Bank and the IMF were deliberately designed at the end of World War II to give the economically more powerful members a greater voice and vote in these organizations. Set up under the shareholder model of one-dollar-one-vote, the G7 hold nearly 50% of the votes at the World Bank and the IMF. As major changes to the Articles of Association of these institutions cannot change without 85% agreement, the US holds effective veto with 17% of the vote.

Similarly, although theoretically based on the consensus of its over 140 members, the informal "Quad" at the WTO, made up of the United States, Japan, Canada, and the European Union, have tremendous influence over decisions made. Observers from Southern civil society strongly criticized the tactics of the Quad at the recently completed Doha Ministerial which resulted in the launching of a new round of trade talks despite the opposition many Southern governments.

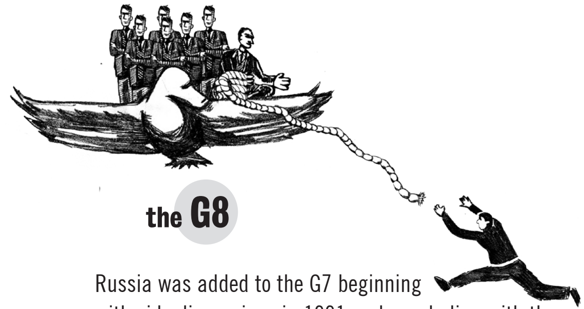
The G8 is the architect and engine of neoliberal globalization. There are differences and degrees of orthodoxy amongst the G8 countries, however, the role of the United States in shaping the commitments of the G7/G8 and the direction of the global economy has led to the G8 being nicknamed the G1.

A "Flock of Gs"

The G8 is the last in a list of fora which have emerged to facilitate discussions of monetary and economic cooperation. Due in large part to the support of the United States, the G7/G8 has proven to be the most successful of the flock of Gs.

the G7

American aversion to the G10 led to the creation of the informal G5 in 1973, which became the G6 in 1975 when Italy joined. The US insisted that Canada be allowed to join to avoid European domination of the forum, and in 1976, the G7 was born. Even with the emergence of the G8, G7 Finance Ministers continue to hold economic meetings.



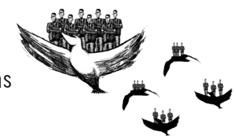
the G8

Russia was added to the G7 beginning with side discussions in 1991 and concluding with the Summit of the Eight in Denver in 1997. While Russia is admitted as a partner for political discussions, it does not chair G8 meetings and is still excluded from the G7 Finance Ministers' meetings. The result is the somewhat confusing G7/G8 designation.

the G10

The G10 was formed out of the OECD in 1961. It consisted of the finance ministers and central bank officials of the ten largest OECD members plus Switzerland. The G10 was an exclusive club designed to allow the richest countries to seek balance of payment support solely from the IMF. Because of the domination by European countries, the US found the G10 to be unsuitable for securing the outcomes it desired.

the G20



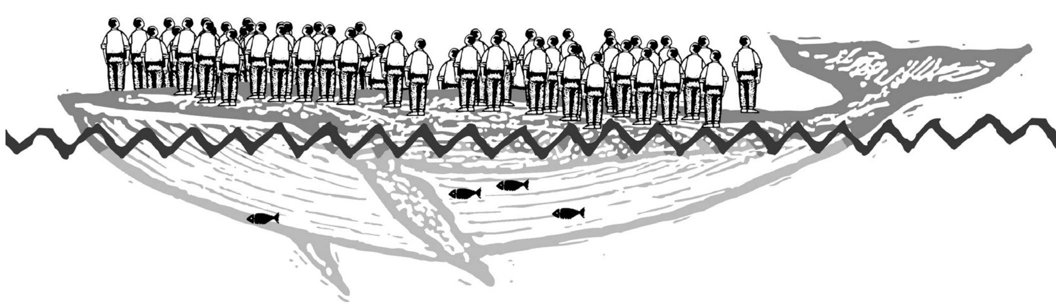
At the 1999 G7 Summit where there were calls for a mechanism for discussions amongst a broad group of countries on the international financial system. The G20 was formed by the G7 in late 1999 as a forum to discuss international financial reform, but acts principally as a sounding board for the G7 and focuses on fine-tuning rather than fundamental reform.

the G24

One counterweight to the G7 has been the G24, a committee of developing country Finance Ministers established in 1971. While the G24 can critique and offer alternatives to G7/G8 policies, its influence on actual policy is limited.

the G77

The Group of 77 is the largest Third World Coalition in the United Nations, and provides the means for the developing world to articulate and promote its collective interests within the UN. While it has existed since 1964, in 2000, the G77 met for the first time at the heads of state level. The G77 currently has 133 members.



The G8 critiqued

Most critics will acknowledge that the G7/G8 have every right to meet, as do any other heads of state groupings such as the G77 of developing nations. The fundamental problem of legitimacy of the G8 is the way it has moved to establish itself as the central body overseeing economic and political governance, and in the process has undermined the credibility of more democratic institutions such as the United Nations.

By its own standards, the G7/G8 has been successful at accomplishing its goals, from somewhat stabilizing global economics in the 1970s, to launching the WTO in 1995, and building some degree of mutual trust amongst industrialized nations and in expanding the Washington Consensus of market liberalization. These successes, however, have often come at the expense of developing nations.

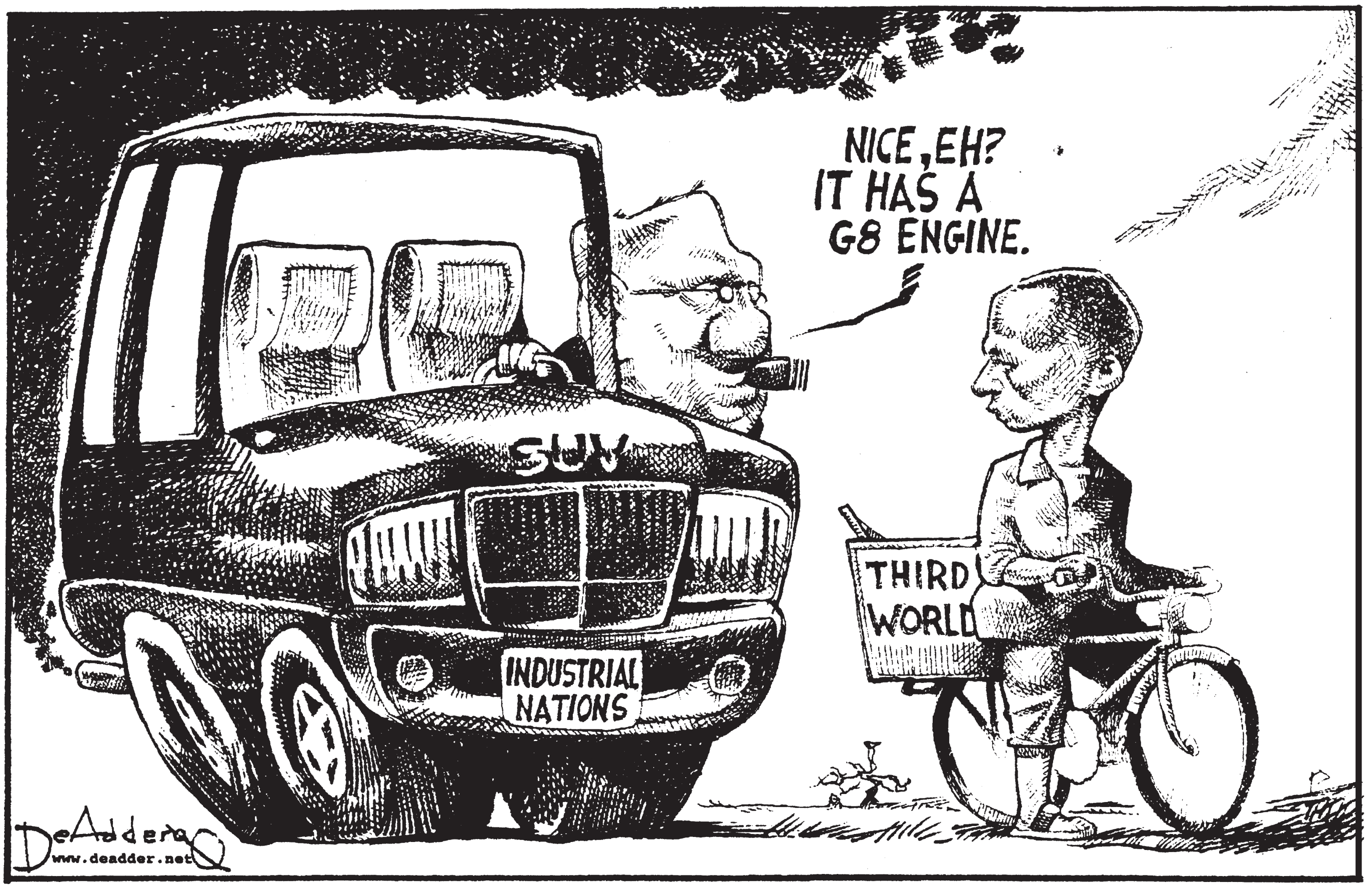
In presenting and acting on solutions to a broader range of economic and political issues, the G8 has demonstrated less success, which has led many to criticize the G8 as a wealthy club whose main concern is to maintain the global economic and political stability which benefits its membership. Unfulfilled commitments in the areas of debt relief, reform of the World Bank and IMF, fair access for Southern countries to Northern markets, official development assistance, and the reform of the financial architecture has lead to a crisis of legitimacy for the G8.

In response to this crisis of legitimacy, the G8 have attempted to create more representative fora which it can still control. One such grouping is the G20.

The G8 and the G20

The Mexican peso crisis of 1994, followed shortly by the Asian financial crisis of 1997, led the G7 to propose a new international forum, the G20 which would focus on remedies for reducing the fragility of countries on the periphery of the global system, while leaving the system as a whole intact. The G20 consists of Finance Ministers and Central Bank Governors representing "systematically significant" countries – essentially countries who owed the most to international financial markets: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, United Kingdom, and the United States. The G20 also includes the European Union, the International Monetary Fund and the World Bank. Canada is the first chair of the G20.

While more representative than the G8, the G20 functions mostly as a sounding board for G7 policy initiatives and does little to alter the elite nature of the G8. As well, instead of proposing fundamental reforms such as examining how barriers can be erected to protect countries from the instability of external finance and how domestic development can be encouraged by debt cancellation and local initiatives, they focus the "G20 reform debate." Discussions fail to question intent on further deregulation of global finance and focus on token measures while quietly advocating financial market liberalization elsewhere. The G20 is planning to build speed bumps on the global finance freeway, not off ramps.



More Information

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50 Years is Enough
www.50years.org
Third World Network
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