

G8

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Research Centre

@ Focus Report

The G8 is one of the world's most influential organisations, designed to allow the most powerful countries to hold regular discussions regarding a wide range of economic, political and social issues. The eight member countries account for 61% of total world output. However, with seven member countries based in North America or Europe, and only one member, Japan, from Asia, the present membership of G8 is clearly biased towards the west, reflecting the current global economic balance.

Introduction

During the early 1970s the world economy was suffering both an oil crisis and recession. In response to this, the US invited senior finance officials from Japan and Europe to an informal gathering that first became known as the 'Library Group'. This was the starting point of what we now know as 'G8'. France then encouraged heads of government to attend an annual meeting, and the first of these was held in November 1975 in Rambouillet, in France. Initially, just six countries were involved – the US, Japan, France, Germany, Italy and the UK, but Canada joined in 1976, at which point the membership of G7 became fixed. In 1977, the European Union began to

participate, being represented at meetings by both the President of the European Commission and the country that held the presidency of the European Council at the time of any summit. Germany will hold the presidency at this year's summit.

Scope of G8

G8 was established initially as a forum for economic and trade discussions, but now deals with a wide range of economic, political and social issues, including relations with developing countries. This process dates back to 1989 when, on the eve of the summit in Paris, leaders of the G7 nations met with leaders from 15 developing countries.

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Key Events

- 1973 US formed the 'Library Group'
- 1975 First meeting of G6 in Rambouillet, France
- 1976 Canada joined G7
- 1977 EU given observer status
- 1986 Creation of regular meetings of G7 Finance Ministers and Central Bank Governors
- 1991 Russia participated in first post-summit dialogue with G7
- 1994 Russia began attending political sessions of 'G8'
- 1998 Russia became a full member of G8
- 1999 First meeting of G20 held in Berlin
- 2002 G8 Africa Action Plan launched at the summit in Kananaskis, Canada
- 2006 Russia hosted its first G8 summit in St Petersburg
- 2007 Germany to host the G8 summit

Germany holds the presidency of G8 in 2007 and therefore sets the agenda for this year's summit. Germany's stated aim is: growth and responsibility. At the summit in Heiligendamm on June 6-8, world leaders will discuss global imbalances, investment, promotion and protection of innovation, climate protection and energy efficiency.

Development of G8

During the 1980s, the heads of state and finance ministers from the G7 member countries met annually to discuss a wide range of economic, political and social issues. Russia began participating in dialogue with G7 in the early 1990s, and became a full member in 1998, at which point the G8 was born. Germany is the current G8 president.

In the late 1990s a new format began, whereby only the political leaders would meet at the annual summit, with foreign ministers and finance ministers holding separate meetings in advance of this. The finance ministers recommended that a wider grouping should be established as a way of strengthening the international financial system. This led to the creation of G20, which met for the first time in December 1999 in Berlin. G20 includes the finance ministers and the central banks of the major industrial countries and many key emerging market economies. Together, the G20 nations account for almost 90% of the world's GDP, 80% of world trade and nearly 67% of world population. South Africa holds the presidency of G20 in 2007.

Operation of G8

G8 remains an informal forum through which the leaders of member countries can have face-to-face discussions on key issues, and tackle challenges and threats to the global economy. The fact that G8's membership consists of the world's leading industrialised economies gives it considerable economic and political muscle. Despite this, G8 has no official headquarters, no budget and no

permanent staff. The presidency rotates among the member states, on an annual basis, with the country holding the presidency being responsible for hosting the annual summit. The presidential cycle runs from France to the US, UK, Russia, Germany, Japan, Italy and Canada. In addition to organising the summit, the country holding the presidency is responsible for speaking on behalf of G8 and for engaging in discussions with non-member countries and international organisations.

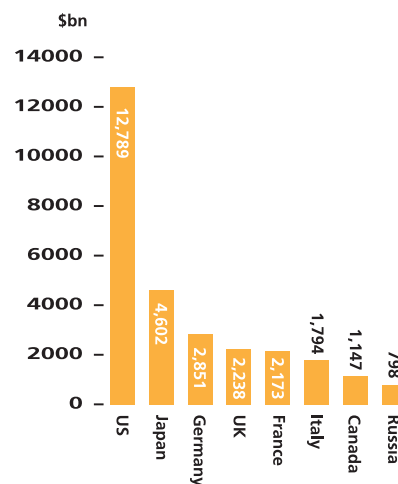
One of the major purposes of the annual summit of G8 is to allow political leaders to meet informally and build personal relationships. Although the summit is the focus of both media attention and protest action, regular meetings are being held, behind the scenes, throughout the year. These are attended by the political leaders' personal representatives, known as sherpas, who discuss the agenda and monitor progress. In addition, there is a series of regular ministerial meetings, involving the finance ministers, foreign ministers and environmental ministers. If necessary, officials of G8 can meet on an ad hoc basis to discuss any major issues. Although policies and targets are agreed at G8 summits, compliance with these is entirely voluntary on the part of each individual member.

Conclusions

G8 is an important forum that allows many important world leaders to come together to build relationships and to discuss the key issues of the day. However, critics accuse G8 of simply representing the interests of an exclusive group of wealthy nations, possibly to the detriment of the rest of the world. Its positive stance regarding globalisation has provoked the most criticism and has led to increasingly strong and violent protests.

G8 clearly has a western bias at present, with Japan being the only representative from Asia. There is no representation from Latin America or Africa – although

G8 - GDP in 2006



Argentina, Brazil, Mexico and South Africa are all members of G20. Russia was invited to join G8 in recognition of its political influence, even though it is not as wealthy as the other member countries. Likewise, in the years ahead, we may see the membership of G8 being expanded once again, to include some of the fast growing economies, such as China and India. Such an expansion of the membership could eventually swing the balance of influence away from Europe and towards Asia, in line with expected changes in the balance of the global economy.

Sources: World Bank, Inhouse analysis.