

G8 days numbered?

By Jeremy Tordjman – 10 hours ago

PARIS (AFP) — The Group of Eight industrialised powers, ineffectual in the face of the worldwide finance crisis, is slowly losing its grip on the global economy and now faces calls for its abolition.

The G8 -- Britain, Canada, France, Germany, Italy, Japan, Russia and the United States -- has done little more than issue statements of principle since the start of the crisis last September, leaving the heavy-lifting to the broader Group of 20.

It was the G20, which in addition to the G8 includes such emerging market powerhouses as Argentina, Brazil, China, India and South Africa, that confronted the crisis head on at an April summit in London.

"As far as we can tell, no substantive results have come out of the G7-G8 meetings for many years," said Richard Portes, a researcher at the London School of Economics.

The G8, whose leaders are to meet July 8-10 in Italy, began as an informal grouping in 1975, when it was known as the G7 before the inclusion of Russia.

Portes said the G8 has now "become irrelevant to most of the major issues."

"It cannot deal with the environment, trade, international finance without bringing in China, India, Brazil or South Africa."

Added Barry Echengreen of the University of California at Berkeley: "It's silly to imagine that there could be a durable reform of the international monetary system that did not involve the largest reserve holder," a reference to China.

German Chancellor Angela Merkel has also questioned the G8 format.

"The problems we are confronting can no longer be resolved by the industrialised countries alone," she said last week.

One of the relatively few remaining defenders of the G8, John Kirton of the University of Toronto, has argued that the group does have "an essential role to play."

"The G20 summit basically followed the principles and guidelines set down first by the G7 and G8," he said.

But most international affairs experts believe the G8's days are numbered.

"If they want the G20 to survive and to be functional, the two (G8 and G20) cannot stay together," maintained Rajiv Kumar of the Indian Council for Research on International Economic Relations.

His position was echoed by Charles Wyplosz of the Institut de Hautes Etudes Internationales in Geneva.

"The end of the G8 must be prepared. There is a fundamental contradiction in maintaining this small team when it itself has turned over the big issues to the G20."

At Cornell University in the United States, Eswar Prasad said "the G20 is increasingly taking the role as the agenda-setting body for the world."

But Prasad also acknowledged that the G20, which rose to prominence in response to the finance crisis, might not survive the return of better times "because there are some very big



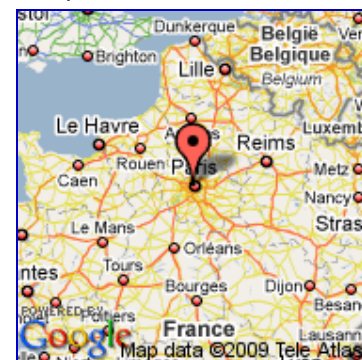
Photo 1 of 4



Residents and demonstrators hold a candle light rally in L' Aquila days before the G8 world leaders meet



Map



tensions inside the G20" among emerging and developed nations on the question of (economic) regulation.

Kirton of the University of Toronto noted that the "enormous diversity amongst the G20" could also prove to be a handicap.

"China and Saudi Arabia have different conceptions than the rest of the G8 concerning democracy, which is crucial when you deal with financial regulation," he said.

Kumar of the Indian Research Council has said that a more streamlined formation than the vast G20 might be called for, citing the possibility of a Group of 4 -- Japan, China, the United States and the European Union.

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