
An Overview of Economic Summits

Economic Summits have brought together the leaders of the major industrialized nations and the European Community (EC) annually since 1975. The purpose of these meetings is to discuss developments in the world economy, including monetary and trade issues, and certain international political and non-economic subjects.

The first Summit meeting was held in Rambouillet at the invitation of the President of France. The original concept involved leaders discussing economic subjects in an informal setting, much along the lines of the "library group" of Finance Ministers which first met in 1973 in the White House Library to discuss the exchange rate problems of the time. The grouping evolved into the Group of Five (G-5). At one time, the Library Group included both Valery Giscard d'Estaing and Helmut Schmidt, who represented France and West Germany as leaders at the first Summit.

Six countries participated in the Rambouillet Summit—France, USA, the UK, FRG (Federal Republic of Germany), Japan, and Italy. Canada has attended since the Puerto Rico Summit in 1976, and the European Commission has been included since the London Summit in 1977. Summit sites are rotated amongst the member nations: Rambouillet (1975), Puerto Rico (1976), London (1977), Bonn (1978), Tokyo (1979), Venice (1980), Ottawa/Montebello, (1981), Versailles (1982), Williamsburg (1983), London (1984), and Bonn (1985).

The continuing objective of Summits is to work towards compatible macroeconomic policies to foster balanced growth. Summits are not decision-making forums, but they have enabled the leaders of the industrialized democracies to gain a deeper appreciation of the extent to which their economies are linked, to strengthen their consensus on key issues, to pursue a more coordinated (and effective) response to economic problems and, where necessary, to generate new policy initiatives.

After the first oil price shock and the collapse of the fixed exchange rate regime, the world entered a period of growth in the mid-1970's. Summit leaders agreed on measures to sustain stable economic expansion to reduce high levels of unemployment without adding to inflationary pressures. There was a recognition that domestic structural changes would have to be made in light of increasing oil prices and new economic realities. At Bonn in 1978, leaders endorsed a programme of concerted action which had been agreed to by the OECD Ministers at their annual meeting. The programme called for an expansion of domestic demand, greater cooperation with the developing countries and cooperation to reduce dependence on imported oil.

In the early 1980's the world slipped into recession, characterized by persistent inflation, low growth, rising unemployment, current account deficits and high interest rates. The fight against inflation became a key concern and leaders agreed on the need to restrain public borrowing and monetary growth.

The world economy has been growing since 1983 and leaders have attempted to adopt common policies to broaden and strengthen the recovery. At the Williamsburg Summit leaders agreed to pursue policies conducive to low inflation, reduced interest rates and budget deficits, and enhanced employment opportunities. At Bonn in 1985, national leaders, increasingly aware of the impact of their domestic policies on the international economic situation, agreed to a series of coordinated economic policy measures.

Energy issues have been at the heart of many Summits. The first Summit in 1975 was established in part as a reaction to the first OPEC oil price rise. Summits in Tokyo in 1979 and in Venice in 1980 were primarily devoted to responding to the second oil price shock. At Tokyo, a group of experts was established to monitor oil price developments and industrial nations' oil consumption patterns. At Venice, leaders agreed to a ten-year strategy to break the link between economic growth and oil consumption.