

G-20 Economic Summit in London & Bangladesh

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The G-20 leaders met in London on April 2nd to discuss plans to tackle the current global economic crisis. The G-20 is a group of the world's most powerful countries that together represent 85% of the world's economy.

The G-20 includes both major industrial powers- G-8 and thirteen other emerging economic powers, such as China, India and Brazil (the 20 members are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, UK, USA and EU.)

Origin of G-20:

It is an informal grouping that was originally set up at a meeting of IMF in September 1999 in the wake of the Asian financial crisis in 1997. It was made clear by the 1997 crisis that emerging market economic powers needed to be included in discussions about the global financial system.

The G-20 has been given new impetus by the current economic meltdown with the first meeting of heads of government taking place in Washington during the Bush administration (President Obama was just elected and did not attend to the meeting).

The key pledges of the G-20 are:

- (i) The injection of an additional \$1 trillion into global economy through measures including \$500 billion increase in the funding available to cash-strapped IMF, an increase in the availability of money for developing countries through IMF's "Special drawing rights" to \$250 billion and a total of \$250 billion being set aside for trade assistance.
- (ii) Radical reform of the banking system
- (iii) No non-cooperative tax havens to be allowed in any country: those countries which do not comply with the rules will be blacklisted.
- (iv) Managing of toxic assets nationally
- (v) Tough new measures to regulate national financial institutions through establishment of international college of supervisors (financial stability body). Hedge funds are to come under regulatory control.
- (vi) The revamping of IMF and World Bank to ensure nations such as China are given greater influence and senior positions of IMF and World Bank will be open to candidates from the developing world
- (vii) A continuing commitment to provide funds, such as the millennium development goals

For poorer countries:

Though the pledges of funds amounting to \$1 trillion looks a substantial amount, only \$69 billion (\$50 billion for SDR and \$19 billion for trade assistance) has been kept for about 96 poorer countries together with 49 Least- Developed Countries including Bangladesh.. Many are

disappointed that the amount allocated is too meager for these struggling countries including Bangladesh. Much more funds should have been allocated for poorer countries as foreign aid would be expected to be slashed by overall 20% per cent due to global recession to poorer countries.

Not discussed at the summit:

The underlying reasons of value of falling dollar and pound were not discussed. Some say that for financial stability China is to spend more and the US to save more. China's proposal for a new international currency was also not discussed.

Summing Up:

The G-20 decisions demonstrate that the American version of unbridled capitalism has been discredited and the diminishing role of national government in the financial system has been reversed. It has been seen that many giant corporate bodies including reputed banks in the US and Europe were saved by governments from their collapse by pumping public money into them.

Greed and unethical activities of corporate leaders including negligence of regulatory bodies are some of the causes of this current economic crisis. The decision –making process and the value framework supporting it were flawed. Social responsibility, ethical thinking, transparency and accountability must be hallmark of the corporate leaders in industrialised countries in future.