# Plans for the Fourth G20 Summit: Co-chaired by Canada and Korea in Toronto, June 26-27, 2010

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## List of Acronyms and Abbreviations

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| AIMA | Alternative Investment Management Association |
| APEC | Asian Pacific Economic Cooperation |
| ASEAN | Association of South East Asian Nations |
| BCBS | Basel Committee on Banking Supervision |
| BIS | Bank for International Settlements |
| BRIC | Brazil, Russia, India and China |
| CDS | credit default swap |
| DPRK | Democratic People's Republic of Korea |
| DTA | double taxation agreement |
| ECB | European Central Bank |
| FSB | Financial Stability Board |
| FSF | Financial Stability Forum |
| GDP | gross domestic product |
| IADB | Inter-American Development Bank |
| IASB | International Accounting Standards Board |
| IDA | International Development Association |
| IEA | International Energy Agency |
| IFIs | international financial institutions |
| IFRS | International Financial Reporting Standard |
| IMFC | International Monetary and Finance Committee |
| IMF | International Monetary Fund |
| MEF | Major Economies Forum |
| MEM | Major Economies Meeting |
| NEPAD | New Partnership for Africa's Development |
| OECD | Organisation for Economic Co-operation and Development |
| OPEC | Organization of Petroleum Exporting Countries |
| UNCTAD | United Nations Convention on Trade and Development |
| UNFCCC | United Nations Framework Convention on Climate Change |
| WTO | World Trade Organization |

## Preface

This report on the "Plans for the Fourth G20 Summit" is compiled by the G20 Research Group largely from public sources as an aid to researchers and other stakeholders interested in the meetings of G20 leaders and their invited guests. It is updated periodically. Note that this document refers to the G20 leaders' meeting (or summit), which had its first gathering on November 14-15, 2008, in Washington DC (as opposed to the G20 finance ministers forum, which was founded in 1999, and other groupings such as the G20 developing countries formed in response to the agricultural negotiations at the World Trade Organization). **Bolded sections indicate new information.**

## 1. Background

The Group of Twenty (G20) leaders met for the first time in 2008, initially on November 14 for a working dinner and then on November 15 for a working meeting in Washington's National Building Museum. The official name of the meeting was the "Summit on Financial Markets and the World Economy." Participants from the G20 systematically significant developing and emerging countries gathered to discuss the global economic and financial crisis affecting the world. The G20's members are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Republic of Korea, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States and the European Union. Spain and the Netherlands also participated in the first meeting as part of the French delegation, under the auspices of the EU. The second summit took place on April 1-2, 2009. The United Kingdom hosted the meeting in London. Spain and the Netherlands again participated and representatives from ASEAN, the Financial Stability Forum, the International Monetary Fund, NEPAD, the United Nations, the World Bank and the WTO were also included. The third G20 meeting took place in Pittsburgh on September 24-25, 2009, with the United States as host. The fourth G20 summit (and the first institutionalized one) will take place in Toronto, Ontario, Canada, on June 26-27, 2010. It will be co-hosted by Canada and the Republic of Korea. The fifth summit is scheduled to take place in Korea in November 2010. In 2011, France will take over as chair.

The G20 finance ministers' and central bank governors' group first met in 1999. They met for their tenth annual meeting on November 8-9, 2008, in Sao Paulo, Brazil. They have started meeting more frequently since the G20 leaders first met in Washington, including during the leaders' meetings. They met on April 24, 2009, in Washington on the margins of the annual spring meeting of the IMF and World Bank, on September 4-5 to prepare for the Pittsburgh Summit and again for their annual meeting on November 6-7, 2009, in St. Andrews, Scotland, which was be hosted by the UK (which held the chair of the G20 for 2009).

Under the Gleneagles Dialogue, since 2005 a group of 20 ministers in the fields of environment and energy have met, including in Japan in 2008, to discuss issues associated with climate change. On the margins of the G8 Hokkaido Summit in Japan in July 2008, the 16 Major Economies Meeting (MEM-16) was held at the summit level, following official-level meetings of this forum started by the United States in 2007. President Barack Obama co-chaired the second summit-level meeting of the renamed Major Economies Forum (MEF) as part of the G8 L'Aquila Summit in Italy on July 9, 2009. In both cases, membership largely overlaps that of the G20.

## 2. Agenda and Priorities

**U.S. president Barack Obama appealed to G20 members not to waver in their efforts to support the economic recovery. "We must act together to strengthen the recovery," Obama said in a letter to other leaders of the G20. "Our highest priority in Toronto must be to safeguard and strengthen the recovery," he said. "We worked exceptionally hard to restore growth; we cannot let it falter or lose strength now." Obama called on the other nations to "reaffirm our unity of purpose to provide the policy support necessary to keep economic growth strong." The president noted that "significant weaknesses" linger among the major and developing economic powers. He told his summit partners "it is essential that we have a self-sustaining recovery that creates the good jobs that our people need." Obama said that the June 26-27 summit should also focus on efforts to stabilize public deficits in the "medium term." Several European nations including Germany, France and Britain are already moving to attack high deficits in an effort to calm global financial markets. Obama said "I am committed to the restoration of fiscal sustainability in the United States and believe that all G-20 countries should put in place credible and growth-friendly plans to restore sustainable public finances … But it is critical that the timing and pace of consolidation in each economy suit the needs of the global economy, the momentum of private sector demand and national circumstances." The recovery from recession in the United States has been erratic and uneven. Obama also called on his G20 partners to promote "balanced global demand" and said he remained concerned about the "continued heavy reliance on exports by some countries with already large external surpluses." While not mentioning China by name, that comment was an obvious reference China's trade surpluses and continued resistance to U.S. demands that allow the renminbi to rise in value against the dollar.[1] (June 18, 2010, *Associated Press Newswires*)**

At the G20 meeting in Korea on June 4-5, the finance ministers agreed that the economic recovery has been faster than anticipated, "although at an uneven pace across countries and regions." They agreed that the Framework for Strong, Sustainable and Balanced Growth is a key mechanism and they will submit a basket of alternative policy options that have been recommended to their leaders to consider at the June summit. The ministers "committed to reach agreement expeditiously on stronger capital and liquidity standards as the core of [their] reform agenda." The leaders will receive reports and recommendations from the FSB and IMF to deliberate on when they meet in Toronto in

[1] *Associated Press Newswires* (June 18, 2010), "Obama tells G-20 nations to seal economic recovery."

June. The finance ministers "welcomed the agreements for substantial capital increases and institutional reforms at the World Bank, Inter American Development Bank, European Bank for Reconstruction and Development, and African Development Bank." They called for an "acceleration of the substantial work still needed for the IMF to complete the quote reform by the Seoul Summit" and they committed to ensuring that the IMF has the resources necessary to adequately operate. The ministers also highlighted the "tangible deliverables on financial inclusion" that would come at the Toronto Summit, "including the launch of the SME Financial Challenge." References were made to development initiatives, including the Global Agriculture and Food Security Program and cancelling Haiti's International Financial Institutions debt. The members also welcomed the strategies and timetables that were provided on phasing out fossil fuel subsidies.[2] (June 5, 2010, *Communiqué*)

Canadian finance minister Jim Flaherty said he expects the G20 to make progress on financial-sector reform at their meeting next month but doesn't see a final agreement until the end of the year. "I would not expect to have any sort of final package coming out of the Toronto summit since that hasn't been the direction of the leaders and more work needs to be done in any event. But I think we can make progress," Flaherty said. The G20 is studying various alternatives, including the embedded contingent-capital plan proposed by Canada to pay for any future bank bail-outs. Flaherty said the idea "is increasingly being welcomed as a useful proposal for discussion." Flaherty said Brazil and Mexico are opposed to a bank tax, and that he hopes to speak with his Argentinian counterpart on the issue. He reiterated that there is no consensus for a bank tax among the G20. "We will not see consensus on an idea like that because there is not unanimity of opinion on that." Flaherty said the "big picture" on financial-sector reform is the quantity and quality of capital and caps on leverage, and the G20 has to keep "our eye on the ball."[3] (May 27, 2010, *Dow Jones News Service*)

With the global economic recovery still at risk, the G20 need to tackle sovereign debt and financial reforms when they gather for the Toronto summit, Canadian prime minister Stephen Harper said at the end of May. "With the fragile global economic recovery hanging in the balance, it is crucial that we build consensus at the summit on reform of the financial sector, control of sovereign debt, and the framework for strong, sustainable and balanced economic growth over the long term," Harper said. The G20 agenda will be dominated by financial regulatory reform, the euro zone's debt troubles and a co-ordinated approach for global growth, aimed at preventing the imbalances that contributed to the crisis.[4] (May 27, 2010, *Reuters News*)

German chancellor Angela Merkel has urged the G20 to concertedly toughen regulations and quicken financial reform, meeting both with applause and resistance among world economic powers, particularly on issues of introducing an anti-speculative global financial tax. "My plea for the G20 is, even if your countries have not been affected by

[2] *Communiqué* (June 5, 2010), < http://www.g20.org/Documents/201006_Communique_Busan.pdf>
[3] *Dow Jones News Service* (May 27, 2010), "Canada Fin Min Sees G20 Progress on Financial Reform in June."
[4] *Reuters News* (May 27, 2010), "US Treasury: G20 must coordinate financial reforms."

specific tendencies of the financial markets, we all need to put forward the process as a whole," Merkel said. Merkel called for "an international solution" to establish a sustainable global financial market. The means she advocated are stepping up stricter regulation and greater budget discipline, as well as insisting that effective regulations could work only if they were introduced globally and coordinately. "If we are to have a global order and global governance, we need to have an understanding for each other," she added. Merkel encouraged establishing a tax on international financial markets, which Germany views as a smart way of curbing over-speculation and creating a rescue fund for the emergency bailout of banks in the future. "We would like to campaign for that tax at our (G20) summit in Canada," Merkel said. "It would be important to reach an agreement internationally. If that does not work (on a global level), we will continue to look for the way in Europe. Others are in support of this initiative. "Clearly some countries are on the same page and are determined to organize such a levy or taxation. We need to progress this matter," French economy minister Christine Lagarde said. Merkel has admitted that the G20 have different views and interests on the tax issue. "There won't be agreement at our first dinner in the Canada summit," she said. As for the eurozone, Merkel has called for a tightening of the rules set forth in the Stability and Growth Pact. "If you have a currency like the euro, then you need stricter rules than other governments that just decide for their own currency," she said. The chancellor also suggested building up an independent European rating agency and hammering out a coordinated exit strategy for removing stimulus measures. The new rating agencies would act as a competitor to other big established agencies, which have been accused of exacerbating the Greek crisis by cutting some eurozone countries' credit rating as Europe was about to unveil bailout plans. "It's critically important that European coordination be organized to make sure that rating agencies actually participate and do not undermine the appropriate organizing of markets and valuations," Merkel said.[5] (May 21, 2010, *Xinhua News Agency*)

Canadian prime minister Stephen Harper is going to great lengths to keep control of the June G20 summit agenda in the face of unexpected global economic tremors and political jockeying over a bank tax. Five months ago, Harper was positioning the G20 summit in Toronto in June as a chance for world leaders to talk about how to reshape the international economy after the recession is over. But the financial crisis prompted by Greece's near-default has stirred widespread alarm about the vulnerability of debt-laden countries. This aura of crisis is unlikely to have abated by next month, meaning that G20 leaders will have to focus in Toronto on avoiding a double-dip recession rather than post-recovery economic goals. "The most recent difficulties in Europe remind us of the need to be cautious about seeking entrenched economic recovery," finance minister Jim Flaherty said. Harper has dispatched five senior cabinet ministers around the world to shape the issues that will dominate the talks at this summer's two summits. The Harper government is determined to ensure the bank tax issue is off the table by the time of the summit so it does not become a "distraction." Canada is pushing a more market-oriented alternative in which banks could issue debt that could be used as equity if a bank got into financial trouble - thus avoiding the need for a government bailout. Everything but the

[5] *Xinhua News Agency* (Mau 21, 2010), "Germany advocates tougher regulations, facing doubts of some G20 nations."

economy amounts to "sideshows" at these meetings, Harper said, referring to issues such as climate change which will not take centre stage. Canada has also stressed the need to hold back trade protectionism, promote tighter regulation of banks and stock markets in the G20 and rigorously reduce debt financing by governments.[6] (May 19, 2010, *The Toronto Star*)

The G20 will discuss fiscal consolidation and financial sector reforms at their Toronto Summit. The summit's theme is recovery and a new beginning, which reflects the G20's goal to work toward a sustainable economic rebound, Canadian finance minister Jim Flaherty said. "We will also expect discussion to turn to exit strategies and much-needed fiscal reforms." Flaherty added that countries need to coordinate on exiting the fiscal stimulus they provided during the global financial crisis. "The pace and time frame for the return to fiscal sustainability will depend on each country, but it will remain imperative for all countries to coordinate their policies to ensure consistency of the framework for strong, sustained and balanced growth." The G20 will also discuss the idea of issuing a global bank tax issue. Flaherty also noted that the economic recovery in advanced countries, including Canada, still remains fragile. "There are indications of recovery, but no clear indications of an entrenched recovery," he added.[7] (May 18, 2010, *Dow Jones International News*)

Canadian finance minister Jim Flaherty said getting Europe's fiscal house in order will be an "ongoing challenge" and is likely to become a top priority in the lead-up to the G20 summit in June. He also suggested that the European Commission and IMF might have a big say as to how Europe accomplishes this goal. "How they do it is obviously up to the Europeans and not up to us. There are different ways of accomplishing that goal -- but it is clear they need fiscal discipline in some of those countries … I know the European Commission is very anxious that [countries] consolidate fiscally. And to some extent the IMF will have something to say about this." Flaherty said that the number one priority for Canada, as host of the upcoming summits, would be "sustainable global growth," which would require the emerging economies to drive more of its growth from domestic consumption, while developed economies begin living within their means. "That takes on even more priority given what's going on in Europe," he said.[8] (May 12, 2010, *Canwest News Service*)

Highly indebted countries that continue borrowing heavily pose a "real risk" to global economic recovery, said Canadian prime minister Stephen Harper. Determined exit strategies from stimulus spending will have to form a big part of the discussion at next month's G20 summit. "Our European friends have taken all the action that is necessary," Harper said of the $140 billion emergency loan package offered to Greece by the EU and the IMF. "Obviously the situation in Europe is worrisome to a lot of people … As I said earlier this week, though, I think the European Union has put forward a package that is

[6] *Toronto Star* (May 19, 2010), "PM tries to shape summit agenda G20; Harper dispatched 5 cabinet ministers to push issues that will dominate discussions."
[7] *Dow Jones International News* (May 18, 2010), "Canada Minister: G20 To Discuss Fiscal Consolidation, Reforms."
[8] *Canwest News Service* (May 12, 2010), "Europe top priority for G20 meeting: Flaherty."

more than reasonable to deal with the situation." He said the EU countries, including Greece, are "prepared to do what is necessary to resolve that issue … We're going to do whatever we can to be supportive, to obviously encourage markets to act rationally, and to stay focused on the general pattern of recovery." Harper insisted any recovery is still fragile and "we have to keep our eye on the ball." He cautioned that "we will need a special focus … not just on stimulus but on the exit strategies from stimulus (at the Toronto summit) … This situation (in Europe) does show that, notwithstanding the necessity of high deficits in many countries during the recession, that in highly indebted countries in particular there are real risks with prolonged high deficits. We all need, internationally, to have solid exit strategies out of these situations as we approach the recovery."[9] (May 7, 2010, *Canadian Press*)

The G20 Toronto Summit in June will focus on improving the quality and quantity of capital in the world's financial institutions and on placing firm caps on leverage, Canadian finance minister Jim Flaherty said. "We have to get this right." A key problem that led to the meltdown of financial markets in 2008 was "the excessive risk-taking" by banks around the world. They were leveraging assets to the tune of 30 to 1 to 40 to 1, he said. G20 countries all agree on the principle "that financial institutions that contribute to a financial crisis in the future should bear the cost of that, and not the taxpayers," Flaherty said. Canada is suggesting that banks should be required to set aside some capital that could be tapped in the event of a crisis.[10] (May 4, 2010, *Waterloo Region Record*)

At their April meeting, the G20 finance ministers and central bank governors agreed to keep stimulus measures in place until the private sector recovers, seeking continued global cooperation in exit strategies. They also pledged to complete the quota and governance reform of the IMF by their November Summit. "The global recovery has progressed better than previously anticipated largely due to the G20's unprecedented and concerted policy effort. However, it is proceeding at different speeds within and across regions and unemployment is still high in many economies," said the communiqué. "We recognize that in such circumstances, different policy responses are required. In economies where growth is still highly dependent on policy support and consistent with sustainable public finances, it should be maintained until the recovery is firmly driven by the private sector and becomes more entrenched." In a G20 meeting in February in the Republic of Korea, each country generally agreed that the economic rebound was taking place at various speeds and exit strategies should be sought based on such different economic conditions, though they pledged global coordination. But some countries are now showing signs of splitting from this, by raising their key interest rates and withdrawing other fiscal policies. "We emphasized the necessity to pursue well coordinated economic policies that are consistent with sound public finances, price stability, stable, efficient and resilient financial systems, employment creation and poverty reduction," the communiqué said. The G20 also confirmed the need for sharing the financial burden with those responsible for the crisis, but they did not reach a

[9] *Canadian Press* (May 7, 2010), "Greek debt crisis shows G20 needs to discuss stimulus exit strategy: Harper."
[10] *Waterloo Region Record* (May 4, 2010), "Flaherty says G20 will focus on curbing risk."

consensus on measures such as a bank levy. “There was not agreement on a global bank tax. Some countries are in favor of that, some countries quite clearly are not,” Canadian finance minister Jim Flaherty said. The ministers promised to discuss it again in June after examining more implications. The ministers also agreed to discuss how to strengthen a global financial safety net at the Seoul Summit.[11] (April 24, 2010, *Yonhap English News*)

According to a joint statement by the leaders of Canada, Korea, the U.S., the UK and France, the G20 must work together to bolster the global financial system and put the economy on track for sustainable growth. The past, present and future hosts of the G20 said G20 policy initiatives have helped lift the global economy out of its slump and avoided a total breakdown of the financial system, but they warned that the recovery remains fragile and called for redoubled cooperation. “It is vital that we, in a spirit of enlightened self-interest, continue to work together to achieve our mutual objectives in addressing new and emerging risks, safeguarding stability, and supporting a robust return to growth and job creation in all our economies,” the statement said. It said the G20 must work to ensure that fiscal, monetary, foreign exchange, trade and structural policies “are collectively consistent with strong, sustainable and balanced growth.” Unless ongoing trade, fiscal and structural imbalances are addressed, “the risk of future crises and low growth will remain.” The statement called for continued resistance to trade protectionism and efforts to liberalize global trade and investment. It also noted the need to improve the functioning of energy markets and phase out fossil fuel subsidies that distort markets and impede investment in clean energy sources. On the financial system, the statement said more work is needed to shore up some global banks’ balance sheets to reduce vulnerabilities and get credit flowing. The statement called on the G20 to remain firmly committed to developing stronger international rules on capital and liquidity by the end of this year. They would be implemented as soon as financial conditions improve and economies recovers, with the aim of implementation by each country by the end of 2012. All major financial centres must also have adopted the Basel II framework by 2011, it said. The statement also called for strengthening the infrastructure of key financial markets. Standardized over-the-counter derivatives contracts should be traded on exchanges or electronic platforms where appropriate, cleared through central clearing counterparties by 2012 at the latest, and reported to trade repositories. The leaders called for a review of pay practices that encourage excessive risk taking and for full implementation of internationally agreed compensation standards set out by the FSB. The leaders also urged the G20 to create a framework to address crossborder resolutions of systemically important financial institutions. The lack of such a framework made it difficult for authorities to move swiftly when the financial crisis intensified two years ago. “This should include establishing crisis management groups for major crossborder firms and resolution tools and frameworks that will reduce moral hazard. Prudential standards for systemically important institutions should be proportional with the costs of their failure,” the statement noted. The leaders also highlighted the importance of accountability. “Achieving the ambitious peer review agenda that has been set for 2010

[11] *Yonhap English News* (April 24, 2010), “G20 agrees to delay exit strategies until private sector recovers.”

will be an important milestone," they said.[12] (March 30, 2010, *Dow Jones International News*)

Canadian prime minister Stephen Harper said that the G20 must keep delivering stimulus because economic recovery is "by no means fully assured." He also said countries must balance stimulus measures against exit strategies. The G20 must make "real progress" to deliver on pledges from previous summits and live up to its role as the world's main economic forum. He said the group will be judged not just by its ability to respond to crisis, but also its capacity to lead the world through recovery. "First, we must continue with our stimulus measures," said Harper. "At the same time, it also behooves us to put our minds to how these will be balanced with exit strategies." He said the G20 should make progress on achieving balanced and sustainable growth in the long term, as agreed to at the Pittsburgh Summit. This, he said, will enable countries to identify specific actions at the Seoul Summit in November. Countries must strengthen financial sector regulatory systems and implement reforms already been agreed to. "This has become a matter of urgency," said Harper. "We must get this done within the agreed time frame." He urged the G20 to open global markets and resist protectionism. He pointed to actions taken by Canada to open its markets, including the 2010 budget measure that eliminated all remaining tariffs on manufacturing inputs and machinery and equipment, the first G20 member to do so. "If we lose our commitment to open markets — for however understandable the short-term political reasons — then we will lose that prosperity." Harper said countries must be "enlightened" when they defend national interests and must consider the overall long-term needs of the global economy. He also said the G20 must continue working to advance quota and other reforms at international financial institutions and provide them with adequate resources and tools to do their work. The theme for the June summit will be "Recovery and New Beginnings."[13] (March 18, 2010, *Dow Jones News Service*)

Canada's top priority for the June G20 summit is to ensure that there's no "premature withdrawal" of stimulus spending. Canada believes the future credibility of the G20 will be judged on whether it delivers on commitments made last fall to promote strong sustainable growth in the future. Canada's other priorities are to promote strong, sustainable and balanced growth, strengthen the financial and regulatory systems, resist protectionism and promote trade and investment, and reform the international financial institutions. A paper prepared for a G20 sherpa meeting in March noted that "there remains a risk that premature withdrawal of stimulus could jeopardize the current recovery. As growth recovers, there is also a risk that unemployment will continue to lag behind." Turning off the taps too soon "could risk a double-dip recession and higher unemployment." Canada wants the G20 to find a way to sustain the momentum started when the G20 established its "New Beginning" framework at the Pittsburgh Summit, where members committed to promoting sustainable and balanced growth. "In Canada's view, the G20's future credibility and effectiveness will be judged by its ability to move

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[12] *Dow Jones International News* (March 30, 2010), "G20 Hosts: World Economic Recovery Remains Fragile."

[13] *Dow Jones News Service* (March 18, 2010), "Canada PM: G20 Must Continue Stimulus, Balance With Exit Strategy."

forward on this key commitment," the paper stated. On strengthening the financial and regulatory system, Canada urged follow-through on reform because that is essential in avoiding future crises. "As recovery gains traction, there is a risk that momentum on essential reforms may falter. We must fully implement all G20 commitments on enhancing sound regulation and strengthening transparency in order to avoid a return to the excessive risk-taking that caused the crisis," the paper noted. The document also said there has been substantial progress in strengthening oversight, risk management, transparency and international cooperation. But there can be no let-up in the commitment to "develop by year-end strong international rules on capital and liquidity" among other things. The discussion paper also affirmed the Canadian government's commitment to resisting protectionism and promoting free trade and investment. On reforming international financial institutions, the document stresses the importance of continuing to help bodies such as the Asian Development Bank and the African Development Fund.[14] (March 17, 2010, *The Canadian Press*)

Canadian prime minister Stephen Harper has warned against excessive regulation of the financial sector. "Canada … believes that financial sector regulation must have the right purposes and must not be excessive … Canada will not go down the path of excessive, arbitrary or punitive regulation of its financial sector." Addressing the World Economic Forum in Davos, Switzerland, on January 28, he noted that higher regulatory standards in Canada meant its banks did not require bailouts. He said that if inadequate regulation in other countries was not addressed, "the consequences could actually be worse than before the crisis." Harper said there was no public demand in Canada for "retaliatory measures" against domestic banks since they did not fail or require public assistance. "Our approach to financial sector regulation, while historically much more activist than in many other countries, has not been to micromanage the affairs of a complex industry." He did not directly refer to U.S. plans to limit the size of banks or British and U.S. ideas of putting a levy on banks to recoup public subsidies, but leaders are engaging in a lively discussion about reform. He said the top priorities of the G20 are financial sector reform, stimulus programs, and global trade and growth strategies. Harper said that because the economic recovery is "a mile wide but only an inch deep" and job creation is "very tentative," it was too early for countries to call a halt to stimulus programs. "While it is absolutely too soon to abandon stimulus programs," he said, "it is no longer too early to start thinking about a strategy to exit them." He also took aim at China for not letting its yuan rise, saying that G20 partners "must embrace enlightened views" and not say things like: "Let your currency trade at market rates; we'll keep ours undervalued." He added: "Notions rooted in a narrow view of sovereignty and national self-interest must be reconsidered."[15] (January 28, 2010, *Reuters News*)

Canadian prime minister Stephen Harper announced that Toronto will host the G20 summit on June 26 and 27, 2010. "The G20 has facilitated decisive action throughout the past year to limit the impact of the global financial crisis on jobs and growth," said Harper. "Canada continues to play a leadership role to ensure a durable recovery is

[14] *Canadian Press* (March 17, 2010), "Secretive G20 'sherpas' meeting to focus on economic recovery plan: leaked paper."
[15] *Reuters News* (January 28, 2010), "Canada warns against excessive bank regulation."

assured. We are implementing one of the largest stimulus packages and are contributing to international financial reform by helping to lead the G20 and the work of the Financial Stability Board." At the Pittsburgh Summit, the G20 leaders agreed to launch a framework that lays out the policies and ways to act together to generate strong, sustainable and balanced global growth. One of Canada's goals at the Toronto Summit in 2010 will be to ensure the framework's prompt and effective implementation. "This represents an unprecedented opportunity to maintain the momentum needed to introduce much-needed financial sector reforms," added Harper. "We have demonstrated leadership by providing new resources and guarantees to strengthen international financial institutions, namely innovative new capital arrangements to help ensure the Inter-American Development Bank and the African Development Bank have resources they can count on throughout the crisis. We intend to continue playing a role in defining the path forward in 2010." Harper and Korean president Lee Myung-bak are working closely together and with the international community to ensure the coming year is one of economic renewal.[16] (December 7, 2009, *Office of the Prime Minister*)

When the G20 finance officials met in Scotland at the beginning of November, they planned to develop a peer review process to ensure their economic policies avoided the trade and budget imbalances that contributed to last year's financial crisis, a U.S. treasury department official said. The G20 planned to establish the types of economic data that each country needed to submit for review by the IMF. The officials also planned to set deadlines that would produce results to be reviewed by the next time the G20 leaders meet in June. The G20 leaders agreed in September in Pittsburgh to subject their economic policies to the scrutiny of a peer review process that would determine whether each country's individual economic programs were "collectively consistent" with sustainable global growth. The goal was to avoid repeating problems like huge trade and budget deficits in the U.S., and massive trade surpluses in China and elsewhere. The flow of cheap credit from China was seen as playing a major role in fueling the U.S. housing boom and subsequent collapse. The IMF planned to review the individual country data and submit a report to the G20 finance ministers that would ultimately form the basis for discussion when the G20 leaders meet in June in Canada. It was unclear, however, just how detailed the reports would be given the reluctance of individual nations to face outside pressure to change economic policies. The G20 leaders also plan to assess the current state of the global economy and the need to continue providing government stimulus to ensure that fledgling signs of recovery become sustainable. Finance officials also planned to discuss the progress being made in reforming the IMF and other global finance organizations to give rapidly growing nations such as China a stronger voice in decisions.[17] (November 3, 2009, *Associated Press Newswires*)

At the third G20 summit in Pittsburgh, Canada and Korea announced that they would co-chair a G20 summit in Canada in 2010. Canadian prime minister Stephen Harper stated that the G20 has proven its effectiveness and representativeness in dealing with the

[16] *Office of the Prime Minister* (December 7, 2009), "PM announces G20 will meet in Toronto in 2010." pm.gc.ca/eng/media.asp?id=3026.

[17] *Associated Press Newswires* (November 3, 2009), "US: G20 talks will develop plan for promoting more sustainable global growth."

economic crisis. A date and location have not yet been announced.[18] (September 25, 2009, *Canadian Press*)

### *Global Imbalances*

U.S. treasury secretary Timothy Geithner told the G20 that they should not rely on spending by American consumers for their economic recovery and he urged Japan, Germany and China to bolster domestic demand. "We discussed how the ongoing shift toward higher saving in the United States needs to be complemented by stronger domestic demand growth in Japan and in the European surplus countries, and by sustained growth in private demand," Geithner said. The United States wants countries with trade surpluses, like Germany and China, to stimulate domestic demand, fearing that tighter fiscal policy will impede growth and endanger the still-nascent recovery. "Fiscal consolidation should be 'growth-friendly,'" Geithner noted. The "pace and composition of adjustment" should vary across countries. IMF managing director Dominique Strauss-Kahn said that euro zone countries saddled with huge debts "have to consolidate strongly even if it has some bad effect on growth." In a joint statement, the finance ministers and central bank governors said: "Those countries with serious fiscal challenges need to accelerate the pace of consolidation … Within their capacity, countries will expand domestic sources of growth."[19] (June 6, 2010, *New York Times*)

At the end of May, U.S. treasury secretary Timothy Geithner stressed that American consumers could no longer support the global economy alone. "We all understand and we all agree that part of global recovery, part of making sure our economies are growing ... is to commit to clear objectives for reducing our fiscal positions to sustainable levels over the medium term," Geithner said "That is absolutely essential, we all agree on that … We are going to get there at somewhat different paces, the magnitude of adjustment will differ, as we all come to this from different positions, with different underlying growth rates, different overall debt burdens." Geithner said the world economy could not rely in the future on US consumer spending as it has done in the past. "US consumers are going to be less of a source of demand for the world in the future ... You can see China recognising that imperative and putting in place a very strong programme of reforms to make sure that growth is coming more from domestic demand in the future … That broad challenge of making sure that global growth in the future is more balanced and more sustainable is important and something leaders all agreed to" at previous G20 meetings.[20] (May 27, 2010, *Agence France Presse*)

G20 finance ministers and central bank governors are expected to focus on details of a framework to rectify global economic imbalances for ensuring solid and sustainable growth at their November meeting. Based on the agreement at the G20 summit in Pittsburgh, they will start work on a framework for assessing each other economy's steps

[18] *Canadian Press* (September 25, 2009), "Canada to host G8, G20 next year," accessed 2 November 2009, video.lfpress.ca/video/news/canada-and-world/5745371001/harper-pleased-with-g20-summit/42109118001.
[19] *New York Times* (June 6, 2010), "U.S. Urges Some G-20 Nations to Stimulate Domestic Demand."
[20] *Agence France Presse* (May 27, 2010), "Geithner says US can no longer support world economy."

to reduce global imbalances in cooperation with the IMF and the World Bank. At the two-day meeting, the G20 officials will discuss which measures are subjected to mutual assessment and which policy targets will be shared among the economies. Also high on the agenda will be a strategy for unwinding unorthodox fiscal and monetary measures introduced by the economies to address the global financial crisis. Furthermore, the participants will discuss progress in financial regulation reforms, including curbs on bankers' pay, as well as fiscal measures to combat climate change.[21] (November 2, 2009, *Jiji Press English News Service*)

### *Economic Growth*

**Canadian prime minister Stephen Harper said that the primary objective of G20 leaders must be encouraging economic growth and promoting job creation. Harper said fiscal stimulus is still needed as "we are not out of the woods yet," while "recovery in private demand is not yet assured in all G20 countries and new risks have emerged." He added that developed countries should "follow through on delivering existing stimulus plans" and send out a clear message that "as their stimulus plans expire, they will focus on getting their fiscal houses in order," which requires credible plans for fiscal consolidation. In order to dispel the uncertainty and financial volatility that can impair future growth prospects, Harper called on the leaders to agree to halve deficits by 2013, stabilize government debt-to-GDP ratios or put them on a downward path by 2016, and take concerted actions across G20 countries to support global demand, reduce the unacceptably high rates of unemployment and global poverty.[22] (June 19, 2010, *Xinhua News Agency*)**

The IMF sees global economic growth of 4.25% in 2010 and 2011, faster than previously expected, as many emerging markets are booming. IMF managing director Dominique Strauss-Kahn said reducing fiscal vulnerabilities of advanced economies was crucial. Emerging markets are experiencing robust recovery due to strong internal demand and the rebound in global trade. "The recovery in advanced economies is lukewarm. The situation is dramatically different in emerging markets," Strauss-Kahn said. He encouraged hard-charging emerging markets to begin withdrawing fiscal and monetary stimulus. "As recent events in Europe have reminded us, the dark clouds have not yet passed … In emerging markets, including in Latin America and the Caribbean, the concerns are a bit different. With the recovery more advanced, a natural starting point would be to remove temporary fiscal stimulus … Fiscal correction can take some heat off monetary tightening, which in turn can dampen excessive capital inflows." He said Peru and Brazil should grow as much as 7% this year, accompanying strong recoveries in much of Asia.[23] (May 28, 2010, *Reuters News*)

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[21] *Jiji Press English News Service* (November 2, 2009), "G20 to Discuss Framework to Rectify Global Imbalances."
[22] *Xinhua News Agency* (June 19, 2010), "Economic growth G20 leaders' priority: Canadian PM."
[23] *Reuters News* (May 28, 2010), "IMF chief sees faster growth; fiscal adjustment."

The global economy is still in need of policy support and the Greek debt crisis has shown considerable risks remain to the global economic outlook, a senior IMF official said. "The global recovery remains sluggish, uneven and still in need of policy support ... As recent events in Greece have shown, risks remain considerable," IMF first deputy managing director John Lipsky said. Lipsky also said the measures European authorities have taken to stabilize financial markets will help recover market functioning and restore market confidence. "Together with strong implementation by euro area countries, notably through actions to put public finances on a sustainable path, they will help sustain the global recovery." The IMF will provide up to 250 billion euros as part of a $1 trillion EU-IMF package of assistance to help heavily indebted and deficit-ridden EU and euro zone countries stave off a debt crisis. On regulatory reforms, Lipsky said bank levies could be an option. "Some form of levy, charge or tax on financial institutions potentially could serve as a complement to enhanced regulation and supervision."[24] (May 18, 2010, *Reuters News*)

The IMF warned developed nations they face an "urgent" need to rein in budget deficits or risk stymied growth. "As economies gradually recover, it is now urgent to start putting in place measures to ensure that the increase in deficits and debts resulting from the crisis... does not lead to fiscal sustainability problems," it warned in a high-profile report. "If public debt is not lowered to precrisis levels, potential growth in advanced economies could decline by over half a percent annually, a very sizable effect when cumulated over several years."[25] (May 14, 2010, *Agence France Presse*)

According to Bank of Canada governor Mark Carney, the G20 took a key step at their April meeting by "recognizing" the risk posed by global imbalances and the need to address them with credible plans. "As with many deep issues, the first sign of progress is recognizing you have a problem. And the discussion around the table recognized we have a problem," he said. Prior to their meeting, the G20 countries had to table multiyear economic projections as a first exercise to determine how their policies would shape imbalances in the medium term. Carney said the consensus among countries was that the projections were not credible, and the numbers needed to be crunched again. "Progress was captured in a shared recognition of the problem, a shared recognition of the inconsistency of the various policies. In some respect, we are a little ahead of the game." This could lead to more progress on imbalances when G20 leaders meet in Toronto in June. Nevertheless, Carney warned much work remains for the G20 to develop a framework to address the dreaded imbalances. The final G20 communiqué had an annex dedicated to the need for balanced growth, and how members need to embrace medium-term policy measures that attain the dual goal of a "mutually beneficial" growth path and help avoid future crises.[26] (April 25, 2010, *Canwest News Service*)

At the G20 finance ministers meeting in April, participants stated that, "Strong growth should: close current output and employment gaps in G20 countries as soon as possible;

[24] *Reuters News* (May 18, 2010), "IMF's Lipsky: global economy needs policy support."
[25] *Agence France Presse* (May 14, 2010), "IMF warns 'urgent' fiscal risks will hit growth."
[26] *Canwest News Service* (April 25, 2010), "G20 coming to terms with addressing global imbalances: Carney."

converge to the growth rate of potential output over the medium term; be enhanced over the long term by increasing potential output growth; primarily by efficiently utilizing available resources through the implementation of more effective structural policies." They said "sustainable growth should be: In line with underlying potential growth over the medium term, thereby providing a firm basis for long term growth; based on sustainable public finances and price and financial stability; resilient to economic and financial shocks; determined primarily by competitive market forces; and consistent with social and environmental policy goals." And "balanced growth should: be broadly based across all G20 countries and regions of the world; not generate persistent and destabilizing internal or external imbalances; and [be] consistent with broad development goals, in particular, convergence to high standards of living across countries in the long run.[27] (April 23, 2010, *Reuters News*)

UK prime minister Gordon Brown said the "recovery is still in its early stages and remains very fragile … There will be many months ahead of conflicting statistics, false hopes and mixed signals." The latest figures show that the United Kingdom pulled out of a deep 18-month-long recession in the final quarter of 2009 but some economists have expressed concern that the unusually cold weather in January, a rise in the value-added tax rate and the impending general election could see the economy contract again. Brown acknowledged that the government is "worried" about the pace of recovery in the euro zone, saying that was a key factor in pegging back exports that should otherwise have gained from sterling's weakness. Growth in Europe "is not going fast enough," he said. "It is a problem for us." However, Brown said, "I can give an absolute assurance that we are sticking to a four-year deficit plan." He said it would be "an incalculable error" to unwind the fiscal and monetary support for the economy too soon. "There are still risks to the recovery and we must be alive to them." Brown said that the UK currently faces no "inflation barrier to growth," adding there is a "real risk of momentum slipping" from the reform process led by the G20. Unless new energy was injected into the process, he warned, the problem of global imbalances could emerge with new force from 2011, threatening a fresh economic crisis in the future.[28] (March 10, 2010, *Dow Jones International News*)

The world's leading industrialized countries recorded continued economic growth in January, according to the OECD. It said data in emerging markets Brazil and India also pointed to recovery but the rebound risked losing momentum, while the economies of China and Russia were likely to continue expanding. The OECD's composite leading indicators index rose 0.8 points in January from December and was up 11.3 points from January 2009. In the United States, the index gained 0.9 points from December and 11 points from January 2009. The January index was up 0.6 points in the eurozone from December and 12.5 points on the year. For Japan, the index gained 1.2 points from December and 10.7 points on the year.[29] (March 5, 2010, *Agence France Presse*)

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[27] *Reuters News* (April 23, 2010), "Communique from G20 meeting in Washington."
[28] *Dow Jones International News* (March 10, 2010), "UK PM Brown: Recovery Still Fragile, Unpredictable."
[29] *Agence France Presse* (March 5, 2010), "G7 countries show marginal growth: OECD."

## *Stimulus and Exit Strategies*

**German chancellor Angela Merkel said spending cutbacks are needed, countering what U.S. president Barack Obama has been encouraging in the lead up to the G20 Toronto Summit. Merkel said that "we are going to discuss when to quit the phase of short-term measures and go on to lasting budget consolidation." Such a move was "urgently necessary, in the view of the Europeans and particularly of Germany," she said. Obama urged the G20 to avoid scaling back government spending too quickly or risk derailing the global recovery. "We worked exceptionally hard to restore growth; we cannot falter or lose strength now … Our highest priority in Toronto must be to safeguard and strengthen the recovery," Obama said in the letter dated June 16.[30] (June 19, 2010, *Agence France Presse*)**

**Brazil is proposing that countries maintain their stimulus plans and accelerate the establishment of a mechanism to regulate financial markets at the Toronto G20 Summit. Brazil sees the economic recovery as still very fragile, and thus it is important to continue boosting growth in all major economies.[31] (June 13, 2010, *Xinhua News Agency*)**

The global economy is recovering better than expected and it's time for countries to unveil clear and credible stimulus exit strategies, a senior Canadian finance official said. Tiff Macklem, associate deputy minister at the Finance Department and Canada's G7 finance deputy, said fiscal consolidation plans need to be "accelerated" and the euro-zone's debt crisis adds urgency to the matter. Exiting stimulus and ensuring fiscal sustainability are a "critical imperative" for all G20 nations, said Macklem. He said the G20's framework for strong, sustainable and balanced growth will be a "very important priority" at the Toronto Summit. He said there has to be a "rotation" of global growth, and countries with current account surpluses have to fill the gap created by lower demand in countries that are in deficit. Canada's banking system is healthy and the country has been one of the most effective in "front-loading" fiscal stimulus. Macklem said Canada's employment growth has been "pretty good," and the country's fiscal stimulus is on track to create or maintain 220,000 jobs by the end of 2010. He said the federal budget deficit will be cut in half when the two-year fiscal stimulus ends in March 2011. He said the budget will be back in balance by 2014-2015.[32] (May 13, 2010, *Dow Jones News Service*)

Advanced countries piling on debt must develop more detailed strategies to unwind fiscal stimulus, the IMF told the G20 during their April meetings. In a report prepared by the IMF for G20 finance ministers and central bankers, the IMF warned that the lack of credible exit strategies could exacerbate market fears about sovereign debt. "In the near term, the main concern is that sovereign liquidity and solvency problems in Greece could result in rapid re-pricing of sovereign risks, with spillover to the domestic banking system and across borders." The IMF said stimulus for most advanced economies should be

[30] *Agence France Presse* (June 19, 2010), "Merkel signals G20 clash with Obama on financial policy."
[31] *Xinhua News Agency* (June 13, 2010), "Brazil to propose maintenance of global growth stimulus at G20 Summit."
[32] *Dow Jones News Service* (May 13, 2010), "Stimulus Exit, Fiscal Sustainability Key for G20-Macklem."

implemented fully this year, with tightening to begin in 2011. But the IMF gave advanced countries generally poor grades for developing exit strategies. "Although most advanced G20 countries have set out broad medium-term fiscal goals, few have specified how and when consolidation will proceed," the report said. Moreover, exit plans laid out by some countries "seem to be based on optimistic assumptions," according to the report. The IMF projects that the ratio of debt to gross domestic product in advanced economies will jump to 120% in 2015, from 80% in 2008. The IMF also raised its GDP forecast for the G20 as a whole to 4.6% in 2010, from the 4.3% estimate given in January. The group is expected to expand at a 4.5% pace next year.[33] (April 26, 2010, *Dow Jones Capital Markets Report*)

At their finance minister and central bank governors meeting in Washington in April, the G20 recognized "that in [the current economic environment] different policy responses are required. In economies where growth is still highly dependent on policy support and consistent with sustainable public finances, it should be maintained until the recovery is firmly driven by the private sector and becomes more entrenched. Some countries are already exiting. We should all elaborate credible exit strategies from extraordinary macroeconomic and financial support measures that are tailored to individual country circumstances while taking into account any spillovers. We emphasized the necessity to pursue well coordinated economic policies that are consistent with sound public finances; price stability; stable, efficient and resilient financial systems; employment creation; and poverty reduction. Countries who have the capacity should expand domestic sources of growth. This would help cushion a decline in demand from countries that should boost savings and reduce fiscal deficits."[34] (April 23, 2010, *Reuters News*)

The G20 members have agreed that each country may need a different exit strategy as the global economy shows a "multi-speed" recovery, said deputy finance minister Shin Je-Yoon. He said the G20 agreed on a need for worldwide cooperation and communication to minimize the impact of any further unexpected turbulence. Shin said the IMF was granted a mandate to monitor how each country pushes for exit strategies and will report the results to G20 finance ministers and central bankers. "The biggest issue of all is to find a solution to the global imbalance," he said. "It is not just for the current account gap, but also for the gap in development … We may have different positions as different countries face different circumstances." A proposed global financial safety net to shield economies was supported by China and Japan but drew a lukewarm response from European representatives.[35] (March 1, 2010, *Agence France Press*)

The G20 vice finance ministers and central bank deputy governors agreed that a concerted global effort is needed regarding exit strategies. At their meeting in Incheon, Korea, on February 27-28, delegates agreed that the global economy has entered a recovery. The meeting was attended by 150 delegates from the G20 and seven international organizations, including the IMF, the World Bank, the OECD and the Financial Stability Board. The representatives showed concern over the fiscal problems in some southern European countries. Others pointed out that China and the United States

[33] *Dow Jones Capital Markets Report* (April 26, 2010), "IMF Urges More Detailed Exit Strategies From High-Debt Nations."
[34] *Reuters News* (April 23, 2010), "Communique from G20 meeting in Washington."
[35] *Agence France Presse* (March 1, 2010), "S.Korea says G20 agreed different exit strategies needed."

are preparing their own exit strategies. The delegates agreed that they should share information regarding exit strategies as well as be flexible in implementing plans. They also discussed voting rights at the international financial organizations. They agreed that at least 3% of the voting rights at the World Bank and 5% of the voting rights at the IMF should be transferred to newly emerging economies from developed economies. Korean officials stressed at the meeting that a global financial safety net should be set up. President Lee Myung-bak first suggested building the safety net at the World Economic Forum held in Davos, Switzerland, in January, to protect emerging countries against the volatility of international capital flows. Expanding currency swaps, or setting up a regional monetary fund and bolstering the safety net at the IMF were suggested as solutions.[36] (February 28, 2010, *Korea Times*)

French president Nicolas Sarkozy warned central banks against withdrawing their monetary stimulus measures too abruptly, saying it could prompt a collapse of the world economy. In a keynote address to the World Economic Forum on January 28, Sarkozy made an impassioned plea for global cooperation to regulate the financial system and attacked the excesses of capitalism that contributed to the most crippling crisis in decades, including excessive banker bonuses. "We must manage prudently the adoption of measures to support [economic] activity and the withdrawal of liquidities injected during the crisis," he said. "We must take care to prevent too abrupt a tightening that would result in a global collapse." Central banks have cut interest rates to record lows and flooded markets with liquidity to support their economies, but now face a challenge in withdrawing support before it lays the groundwork for future crises. Sarkozy said tentative signs of economic recovery should make governments bolder in regulatory and structural reforms. "Either we are capable of responding to the demand for protection, justice and fairness through cooperation, regulation and governance, or we will have isolation and protectionism." A forceful advocate of stronger regulation and state industrial policy, Sarkozy called for a moralization of capitalism and curbs on the bonus culture and "morally indefensible" pay packages. He endorsed proposals by U.S. president Barack Obama to stop commercial banks from engaging in speculative proprietary trading and from owning hedge funds and private equity funds. But he said the G20 was the right forum to reach a consensus on appropriate financial regulation, warning against unilateral action. "How can we conceive that in a competitive world, we can insist that European banks have three times more capital to cover the risks of their market activities, without demanding the same of American and Asian banks? … Giving in to unilateralism, to 'every man for himself,' would also be an economic, political and moral error." Sarkozy also said global imbalances needed to be corrected to prevent a repeat of the financial crisis, with surplus countries consuming more and deficit countries cutting back their spending. Currencies were central to these imbalances and France would use its joint presidency of the G8 and the G20 in 2011 to put reform of the international monetary system on the agenda.[37] (January 27, 2010, *Canwest News Service*)

[36] *Korea Times* (February 28, 2010), "G20 Calls for Concerted Efforts on Exit Strategy."
[37] *Canwest News Service* (January 27, 2010), "French president calls for global accounting standards."

The Republic of Korea plans to push forward an "exit strategy" to deal with excess liquidity in the market after there are clear signs of a full-fledged recovery in the private sector. Vice finance minister Hur Kyung-wook said that the risk of prematurely implementing measures to control the money supply is greater than the risk of taking such steps too late.[38] (January 7, 2010, *Yonhap English News*)

German finance minister Wolfgang Schaeuble is pressing countries with high current account deficits to rebalance their economies. He called for the G20 to coordinate their exit strategies, referring to the promises made at the September G20 Pittsburgh Summit. "The core message of such a joint strategy is the acceptance of countries and currency areas with enduring high current account deficits to boost their savings, consolidate their budgets, to keep open markets and to strengthen their export sectors." Countries with sustained current account surpluses should boost their domestic sources of economic growth, for example by increasing investment, raising productivity in the services sector or overhauling their social security system. G20 finance ministers plan to work on recommendations for the implementation of coordinated exit strategies for the next G20 summits in June and November 2010.[39] (December 30, 2009, *Reuters News*)

The Republic of Korea is planning to maintain its expansionary macroeconomic policy while rolling back the temporary measures it took to tackle the financial crisis. Finance minister Yoon Jeung-hyun stressed that 2010 would be a "critical turning point" for Korea's economy. "First, taking into account that uncertainties remain high, we've reached an agreement to our expansionary macroeconomic policy stance for the time being to solidify economic growth momentum," he said. The Korean government will "normalize," or roll back, the temporary measures, such as extending credit guarantees of small or mid-sized firms in a gradual pace. With respect to the view that the two "contradictory, unbalanced" policies may bring about confusion among market participants, Yoon said "it can be interpreted as good news in the market as a combination of two different, noteworthy values is pushed at the same time." The head of the central bank hinted that a gradual interest rate hike may take place soon, saying the Republic of Korea should contemplate on the timing of an interest rate hike, taking the economic condition and inflation into account down the road. Explaining the government's economic direction, Yoon also reiterated that the government will put priority on improving the nation's labour market. Job creation is the best welfare policy for people and companies should increase recruitment and investment, he said.[40] (December 10, 2009, *Xinhua News Agency*)

The European Central Bank is ready to start phasing out the stimulus measures it set up over the last two years. ECB governor Jean-Claude Trichet voiced his worry that banks may be getting addicted to the central bank's cheap short-term money loans, suggesting that he favors a gradual withdrawal of the measures to help the financial sector wean

[38] *Yonhap English News* (January 7, 2010), "'Exit strategy' possible after private sector fully recovers: official."
[39] *Reuters News* (December 30, 2009), "German FinMin presses G20 economies to rebalance."
[40] *Xinhua News Agency* (December 10, 2009), "S. Korea to maintain expansionary policy: finance minister."

itself off central bank support. Trichet was expected to confirm that December's one-year money offering will be the last. Trichet was also expected to unveil details of how the ECB will provide liquidity to banks next year and how it eventually plans to phase out other, shorter loan programs. The ECB is not expected to be too hasty in implementing its exit strategy. After all, the recession continues in countries like Spain, where unemployment stands at a startling 19.3%.[41] (December 1, 2009, *Associated Press Newswire*)

Britain plans to propose at the November G20 finance ministers' meeting that countries set global growth targets to push each country to set policy goals aimed at correcting imbalances. It is unclear if there will be agreement on this as the idea of establishing global growth targets has met with opposition from several countries. The proposal calls on each country to come up with growth targets for the world economy over the next five years or so. Each nation would then announce policy goals, such as pledges to continue ultra-easy monetary policy for the foreseeable future, in a bid to correct the imbalances caused by growing current account surpluses in Asia and deficits in the United States.[42] (November 1, 2009, *Reuters News*)

Most G20 countries' approach towards exit strategies remains cautious. However, the Reserve Bank of Australia surprised many when they increased their interest rates — the first country to do so since the start of the financial crisis. At the same time bank governor Glenn Stevens reinforced his pledge to "lessen gradually" the amount of monetary stimulus in the economy by increasing the benchmark lending rate by only a quarter of a percentage point. Finance ministers and central bank governors are still waiting for clear signs that private demand is replacing government stimulus, and they are never certain how markets will react to their various decisions. In explaining his decision to opt for a second consecutive quarter-point increase, Stevens cited the probability that stimulus-fuelled purchasing of houses and other goods will subside and the likelihood that the strong Australian dollar will constrain the export of factory goods. "The board noted that the rise in the exchange rate is likely to constrain output in the tradeables sector and dampen price pressures." Australia is the lone G20 member that has raised interest rates this year and is the only country whose central bank has increased borrowing costs more than once.[43] (November 4, 2009, *Globe and Mail*)

There are encouraging signs from the U.S. and some European economies but the global crisis is not over and stimulus must remain in place until unemployment recedes, said IMF managing director Dominique Strauss-Kahn. He said that to avoid the risk of a double-dip recession governments must continue fiscal and monetary stimulus until unemployment peaks, which was likely to take 10 to 12 months. "There are some encouraging figures, a few months ago from European countries and yesterday from the U.S. and that's all good news," Strauss-Kahn said. "Nevertheless it does not mean the crisis is over. The crisis will not be over until unemployment begins to decrease and that

[41] *Associated Press Newswire* (December 1, 2009), "European Central Bank set to begin phasing out liquidity measures but keep rates on hold."
[42] *Reuters News* (November 1, 2009), "G20 may sets targets to correct imbalances."
[43] *Globe and Mail* (November 4, 2009), "Central banks stick to tightrope balancing act."

will take many months." While the financial part of the crisis appeared to have ended, with little risk of further collapse among financial institutions in the near future, Strauss-Kahn said that private demand for goods and services remained very weak. "If we want to avoid, which I think we will avoid, the risk of a double-dip, it's absolutely too early to withdraw the different stimulus which have been put in place," he said. "In the 10-12 coming months, unemployment will continue to rise … that's why we have to go on with the monetary and fiscal policies, the stimulus, until unemployment decreases. At that time we can declare victory." Strauss-Kahn said the policies adopted to confront the financial crisis has already begun to unwind imbalances in the world's major economies, with signs of a fall in the U.S. deficit and a more domestic-led growth model in China. Ahead of the November 6-7 meeting of G20 finance ministers in St. Andrews, Scotland, Strauss-Kahn said members of the group of rich and developing countries would discuss plans for mutual assessment of each other's economies that "would certainly help" to further address imbalances. However, Strauss-Kahn said the G20 was still early in the process of defining this mutual assessment and the finance ministers would simply discuss possible methodologies at their November meeting.[44] (October 30, 2009, *Reuters News*)

British chancellor of the exchequer Alistair Darling said it was important for the EU to discuss how and when to withdraw fiscal stimulus measures but ensuring recovery had to come first. Darling met EU finance ministers in Luxembourg to discuss exit strategies, climate change funds and regulation ahead of a European Council meeting and the November G20 finance ministers meeting. "The government believes that while at this stage it is important to design such exit strategies, the priority is to ensure that the recovery is fully secured through full implementation of fiscal support measures … The UK … welcomes efforts by the EU to ensure a co-ordinated approach to crisis prevention, management and resolution in order to promote financial stability.[45] (October 20, 2009, *Reuters News*)

### *Regulation and Supervision*

**Canada is hopeful that progress will be made on introducing tighter regulations on financial institutions in terms of capital, liquidity and leverage when the G20 leaders gather in Toronto. A senior government official said, "With respect to capital and liquidity and limits on leverage, good progress is being made." The official indicated that expected progress on discussions on the stricter banking regulations will lead to a formal agreement when the G20 leaders are scheduled to meet in Seoul in November.[46] (June 18, 2010, *Kyodo News*)**

**The FSB's latest meeting made enough progress for G20 leaders to make real decisions on financial reforms at this month's summit in Toronto, Chairman Mario Draghi said. "It was a substantive meeting of preparation for the summit ... we**

[44] *Reuters News* (October 30, 2009), "IMF sees encouraging signs but stimulus must stay."
[45] *Reuters News* (October 20, 2009), "EU exit strategies key but recovery is priority – UK."
[46] *Kyodo News* (June 18, 2010), "Canada expects progress in debate on baking regulations at G-20."

**prepared the ground for our leaders to take decisions in the area of regulatory reform … We made good progress in the area of reform of Basel II and in the area of what to do with systemically important financial institutions, especially in the area of infrastructure, market infrastructure consolidation with respect to OTC derivatives trading." They also discussed ways to reduce the probability and scope of large bank failures, he said. The U.S. and EU are working on a package of new global rules governing banks, derivatives trade, hedge funds and other parts of the complicated capital markets.[47] (June 14, 2010, *Reuters News*)**

The G20 edged toward an agreement on new rules to ensure that major banks keep enough money in reserve to insulate them against future crises when they met in Korea on June 4-5. European governments are on track to sign off on the final details of €440 billion in loans intended to be a backstop if the regions sovereign-debt troubles deepen. The G20 agreed they would finish work on the tightened banking standards before their leaders meet for a summit in Seoul in November, ahead of their original year-end goal. "It is critical that our banking regulators develop capital and liquidity rules of sufficient rigor to allow our financial firms to withstand future downturns in the global financial system," the finance ministers and central bankers said in their communiqué. U.S. officials said top-level talks this weekend gave more impetus than they had expected to the ground-level negotiations. Technical experts in the Basel Committee on Banking Supervision have the job of turning the general agreement into specific guidelines. "Stronger capital and liquidity requirements and constraints on leverage are necessary to help ensure that global active financial institutions are better able to withstand future financial shocks and economic shocks," Geithner said. The G20 vowed to aim to implement the new rules by the end of 2012, but there has been discussion recently of pushing back that target for countries nervous about exposing weakness in their banks. In fact, while they plan to announce a broad agreement at the November summit, G20 members are still pondering how and when to reveal the specifics of what will constitute acceptable types and levels of capital. Some governments fear that announcing capital goals while their banks remain wobbly might make it harder for them to regain their footing.[48] (June 7, 2010, *The Wall Street Journal Asia*)

German finance minister Wolfgang Schaeuble and U.S. treasury secretary Timothy Geithner met in Berlin to discuss tougher regulation of financial markets. Despite assurances that Europe and the U.S. are in broad agreement, differences remain. Geithner was keen to stress similarities between Germany and the US in their approach to financial regulation. "It's important to recognize that the US and Europe are in broad agreement on the importance of putting in place more conservative restraints on risk-taking, more conservative capital requirements [for banks] and bringing transparency and disclosure to the derivatives market," Geithner said. Geithner praised Germany's leadership in the Greek debt crisis, but also reminded Schaeuble of Germany's responsibility, as Europe's biggest economy, to strive for a united EU front on regulation of the financial markets. Despite Schaeuble's assurances that the approaches to regulation of the U.S. and

[47] *Reuters News* (June 14, 2010), "FSB Toronto meeting "substantive" ahead of G20."
[48] *Wall Street Journal Asia* (June 7, 2010), "World News: G-20 nears accord on capital rules."

Germany "are much closer together than is generally assumed," the German finance minister found himself defending Germany's tough stance on fiscal discipline. "For a country with demographics that are not unusual in continental Europe, i.e. with a shrinking and aging population and potential growth of just 1 to 1.5 percent, we have to be more stringent when it comes to reducing our deficit than a country like the US, where growth is much more dynamic," Schaeuble said. The US is worried that tough austerity measures designed to reduce bloated budget deficits in the eurozone could stymie global growth. Geithner urged Europe to do more to boost growth. Geithner also insisted that preparations for the June G20 summit were going well and that the world "was in a very good position to put in place a much better system than we had going into this crisis."[49] (May 27, 2010, *Deutsche Welle*)

Greek prime minister George Papandreou said several European leaders are pressing press for a ban on certain financial tools, including credit default swaps (CDS). Papandreou said that he, German chancellor Merkel, french president Sarkozy and eurogroup chief Juncker had written to U.S. president Obama calling for an end to CDS. "The G20 countries plan to discuss it," he said. In March, Germany said it was working with France on rules for derivatives markets including CDS, the lucrative trade in complicated insurance investments against the risk of a debtor defaulting that are favoured by speculators. They were originally aimed at covering against the risk of a debtor defaulting but Greece has blamed the product for a deterioration in its prospects of tackling its massive debt crisis which has threatened to destabilize the eurozone. "We must reinforce the regulation of the market," Papandreou said. EU and U.S. officials agreed in March to work together to improve the transparency of derivatives markets.[50] (May 17, 2010, *Agence France Presse*)

The WTO's Pascal Lamy said he is worried that the G20 hasn't yet demonstrated its ability to handle international financial regulation, leaving a big gap in efforts to prevent another major banking crisis. Lamy said that the G20 has "not yet, visibly, filled the regulatory gap in international finance that was the main cause, if not 'the' cause of the financial explosion." He said that sound financial regulation is of "systemic importance" to the global economy, and was closely linked to governments' monetary and fiscal policies. But so far, tangible progress on international coordinated financial regulation was limited. "It's worrying. In my view that's the big hole." In the immediate aftermath of the crisis, leaders issued statements of broad principle but officials say that as discussions delve into detail of financial regulation, many differences are rising among members, including on basic issues such as how to define bank capital and assets. Significant gaps have opened up on some of these issues between the U.S. and some European governments.[51] (May 16, 2010, *The Wall Street Journal*)

Canadian prime minister Stephen Harper said he will push the G20 to follow through on commitments to global financial reform and a return to balanced budgets but rejected calls establish a tax on the world's largest financial institutions. "June's discussion must

[49] *Deutsche Welle* (May 27, 2010), "US and Germany emphasize common ground on financial regulation."
[50] *Agence France Presse* (May 17, 2010), "Europe to push for tougher G20 market regulation: Greece."
[51] *The Wall Street Journal* (May 16, 2010), "WTO's Lamy: G-20 Yet to Fill Regulatory Gap."

be less about striking new agreements than establishing accountability for existing ones," Harper said. Harper said G20 countries must provide a clear road map to a return to balanced budgets, the elimination of restrictive foreign trade practices and some new forms financial regulation. "Understandably, there have been calls for rigorous, even punitive measures to be taken against those responsible," Harper said. "You'll know one refrain is a global bank tax. You will also know that Canada is not part of that chorus. Just as you can't tax an economy into prosperity, you can't tax the financial sector into stability." Instead, Harper said he will push G20 countries to adopt national systems of financial institution regulation that mirrors Canada system. Canada's banking system was the only one in the industrialized world that did not require a bailout from the national government. "The key for our banks, apart from their own strong management decisions, has been strong, active supervision with a regulatory framework designed to avoid reckless risk and ensure transparency."[52] (April 29, 2010, *Canwest News Service*)

At their April meeting, the G20 finance ministers and central bank governors "reaffirmed [that their] reform is multi-faceted but at its core must be stronger capital standards, complemented by clear incentives to mitigate excessive risk-taking practices." They "recommitted to developing by end-2010 internationally agreed rules to improve both the quantity and quality of bank capital and to discourage excessive leverage. These rules will be phased in as financial conditions improve and economic recovery is assured, with the aim of implementation by end-2012. Implementation of these new rules should be complemented by strong supervision. We stressed the importance of the quantitative and macroeconomic impact studies underway and look forward to an update on their progress by the FSB for our June meeting." They "agreed to closely review the progress of and provide guidance and strong support for the work of the FSB, BCBS and IMF." The G20 leaders will receive a report from the FSB on prudential standards, market infrastructures and resolution tools and frameworks for systemically important financial institutions and from the IMF on bank repayment options at their June summit The finance ministers also called on "the IMF for further work on options to ensure domestic financial institutions bear the burden of any extraordinary government interventions where they occur, address their excessive risk taking and help promote a level playing field, taking into consideration individual country's circumstances."[53] (April 23, 2010, *Reuters News*)

Seven months after the G20 pledged to force banks to link pay to risk, a split is emerging between European and North American regulators, who have cracked down hard, and a group of developing countries that are moving far more slowly, a report issued by the FSB showed. Eight countries, including the UK, France and Germany, have adopted new compensation regulations that incorporate the G20 principles requiring that 60% of large bonuses be deferred, with the possibility of clawbacks if profits sink. Seven more, including the U.S., Canada and China, say they are enforcing the G20 pledges through their bank supervisors. But most developing countries are moving more slowly. Brazil and Mexico say they hope to have rules or supervisory oversight in place later this year,

[52] *Canwest News Service* (April 29, 2010), "Harper pushes global financial reform but rejects bank tax."
[53] *Reuters News* (April 23, 2010), "Communique from G20 meeting in Washington."

while Indonesia, Russia and India merely have ideas under consideration.[54] (March 31, 2010, *Financial Times*)

The EU wants the G20 to make "rapid progress" on new rules for financial markets. Regulation is a key concern, and EU leaders have stressed that stronger rules and supervision, both within the EU and at the G20, are needed urgently. "Progress is particularly needed on issues such as capital requirements, systemic institutions, financing instruments for crisis management [and] increasing transparency on derivative markets," a draft EU statement said. EU leaders have asked for the creation of a special task force to prop ose measures needed for "an improved crisis-resolution framework and better budgetary discipline" in the EU.[55] (March 26, 2010, *Dow Jones International News*)

Global bank regulators agreed to framework to stop "too big to fail" banks from relying on a taxpayer bailout when in trouble, but countries, including the U.S., still want more radical measures. The Basel Committee published 10 recommendations that seek to mesh national approaches into a more coordinated global approach to too-big-to-fail. "Based on the lessons of the crisis and our analysis of national resolution frameworks, I believe that implementation of the Committee's recommendations will help make meaningful progress toward addressing systemic risk and the too-big-to-fail problem," said Nout Wellink, chair and Dutch central bank governor. The recommendations call for national authorities to intervene sufficiently early to ensure the continuity of a bank's "critical functions." Banks should also develop credible contingency plans. "One of the main lessons from the crisis was that the enormous complexity of corporate structure makes resolutions difficult, costly and unpredictable," the committee said. The G20 has agreed that the world's biggest banks should draw up such "living wills" and contingency plans by the end of this year. "If an institution's group structures are too complex to permit an orderly and cost-effective resolution, national authorities should consider imposing regulatory incentives, through capital or other prudential requirements, to encourage simplification of the structures," the committee said. However, the Basel recommendations are unlikely to be the final word in the too-big-to-fail debate. Europe favours higher capital charges as the main way to avoid banks getting into trouble in the first place. The United States has gone a step further by proposing structural changes, such as banning proprietary trading at deposit taking commercial banks, a step rejected by the EU.[56] (March 18, 2010, *Reuters News*)

Canadian finance minister Jim Flaherty said that the G20 should seize the opportunity to make progress on financial regulation now that economies are starting to recover. "The first thing has to be that we have a firm entrenched economic recovery, that we don't slide back toward recession. That's the lesson of the 1930s. We need to heed that lesson. Then I hope that we will move forward … toward deficit reduction and balanced budgets … We're obviously concerned about bumps in road as we move forward in economic

[54] *Financial Times* (March 31, 2010), "Report finds G20 split on bankers."
[55] *Dow Jones International News* (March 26, 2010), "EU Leaders Want G20 Focus On Financial Regulation – Document."
[56] *Reuters News* (March 18, 2010), "Basel agrees global "too big to fail" banks plan."

recovery. Issues like the situation in Greece are of concern, as are concerns about some of the assets in some banks that have not yet been marked to market." Flaherty also noted that the G20 are concerned about their growing deficits. "We're all concerned about deficits.. we look forward to our other developed nations in the world showing their plans to move out of deficit and towards balanced budgets over time." (March 16, 2010, *Canwest News Service*)
Greece is pressing for curbs on financial speculation, which it blames for worsening the country's debt crisis. The G20 plans to discuss the issue at its June summit. Greek prime minister George Papandreou told reporters after meeting with U.S. president Barack Obama that the U.S. had been encouraging on Greece's effort to restrict speculators. A U.S. official, however, offered a measured response when asked about the call for curbs on instruments such as credit default swaps, leaving unclear the degree to which Obama supported Papandreou's effort. "We have found a positive response from President Obama," said Papandreou, "which means that this issue will be on the agenda in the next G20 meeting." He added, "We ourselves were in the last few months the victims of speculators. Obama assured me that he considers the initiative useful, important, positive and that the United States will contribute in this direction." After the meeting, a senior Greek official said the U.S. would present its own plans at the G20 to damp down financial speculation. He said the U.S. proposals could go beyond the ban on the naked selling of derivatives that the European Commission was considering. Naked selling involves selling a credit default swap to a buyer who does not hold the underlying sovereign bond, which is usually a bet the bond will default. Asked about Papandreou's call for curbs on speculation, a U.S. official said that the U.S. was already working on a broad overhaul of U.S. financial regulations. "[Obama's] plan would require more transparent trading and central clearing for standardized derivatives," the official said, adding that this would help regulators reduce market manipulation and abuse. "The central task before the Greek government is to continue to move forward on their plans to restore fiscal stability and growth to its economy," the official said. Athens says activities such as short selling by investors of securities they do not own inflates debt costs for countries struggling to cut deficits. Greece's borrowing costs have surged this year, although yields have declined since the government announced its fiscal austerity package. German chancellor Angela Merkel has said there were "positive" signs Greece was making progress, including its recent successful government bond issue. "Greece does not need any financial support," she said. Greek officials visited the IMF for informal talks, but there was no indication that there had been any discussion of aid. Papandreou has suggested that seeking IMF assistance was possible if all else failed. The IMF has remained on the fringes of the Greek crisis, sensitive to calls by European leaders that they want to deal with Greece as a member of the euro zone.[57] (March 10, 2010, *Reuters News*)

Mario Draghi, chair of the Financial Stability Board, said the market for sovereign credit default swaps (CDS), which politicians blame for exacerbating the Greek debt crisis, has systemic implications. "Governments are increasingly uneasy with this," he said. "Whenever something has systemic implications, you can bet it is going to get systemic regulation." The FSB said it was too early to outline the type of clampdown on the

[57] *Reuters News* (March 10, 2010), "Greece says G20 to review financial speculation."

market, which has been criticized by German chancellor Angela Merkel and French finance minister Christine Lagarde for undermining the Greek bond markets. However, most regulators are advising against controversial moves to ban naked shorting, which would stop hedge funds that do not own the underlying bonds from trading the instruments. Merkel called for international harmonization, saying that the EU must act to make CDS more transparent but should not ban them. This echoes the course of action most regulators would like to see with pressure building to force banks and hedge funds, the primary users of the instruments, to trade them on exchange rather than in over-the-counter private deals. Hedge funds and other investors warn that banning naked shorting could render the sovereign CDS markets illiquid as hedge funds tend to be the main sellers of protection. Without them in the market, banks wanting to buy protection could face difficulties in finding a seller on the other side of the trade. Market participants also stress that the big moves in Greek CDS were not due to hedge funds buying protection in an effort to make quick profits, but rather banks seeking to hedge their exposure to the Greek markets. (March 9, 2010, *Financial Times Europe*)

IMF managing director Dominique Strauss-Kahn has urged individual countries to act fast and work together on financial regulatory reform. Strauss-Kahn said he recognized the drive to fix the "failed regulatory model" that caused turmoil worldwide, but noted that it was essential that reform was coordinated. "While there is a process of collaboration to bridge the problem of local regulators dealing with global banks, many countries are approaching bigger-picture reforms from different directions and at different speeds … In the process, a central lesson of this crisis is being forgotten: that coordination works better than unilateralism." G20 countries have been coordinating efforts to create a strong banking landscape, but the U.S. and other countries have also put forward separate proposals recently. Strauss-Kahn warned that increasing the quantity and quality of capital held by banks would be expensive for consumers and harmful for the global economy. "If banks have to lock up pools of liquidity in every national jurisdiction, their capacity for intermediating capital across borders could fall, and their charges for doing so rise, to the detriment of the world economy." Regulators must look to handle the failure of complex financial institutions at the "parent level," he said. "Pending a global agreement, we have a system with holes and go-it-alone national approaches." Strauss Kahn welcomed the work of financial standard regulators, the Basel Committee on Banking Supervision and the Financial Stability Board and urged faster international action to harmonize the rules that curb excessive risk taking and tackle border challenges. "Time is of the essence in reaching an international agreement lest political patience with regulatory conclaves runs out and we enter a cycle of uncoordinated policy, distorted capital flows and regulatory arbitrage." The BCBS proposed a wide ranging reform of its Basel II global bank capital accord to increase the amount of capital and liquidity banks must hold and lessen the need for more taxpayer bailouts in future crises. The committee of central bankers and regulators from across the world is consulting on the reforms before finalizing them by year end. They are due to take effect by the end of 2012 if economic recovery is assured. (February 17, 2010, *Reuters News*)

The IMF has warned the U.S. and European countries against launching separate initiatives to strengthen the regulation of banks, urging governments to pursue multilateral agreements instead. "I'm worried about the possible inconsistency of different countries' proposals," said IMF managing director Dominique Strauss-Kahn. He also repeated his call for countries to keep up their economic-stimulus measures, saying a premature end to support for a fragile economic recovery presents a graver risk than reining in budget deficits slightly later than necessary. Recent proposals by U.S. president Barack Obama to curb banks' size and activities contain much that "makes sense in isolation," as do proposals by the UK and some other European countries. Although this means "political momentum" still exists, a multilateral solution is still needed. Strauss-Kahn's comments echo concerns by international regulators and some bank executives that governments' closely coordinated efforts to tackle the financial crisis in late 2008 and 2009 could give way to diverging initiatives across major economies as politicians focus on more domestic issues. "Because everybody thinks the crisis is behind us, which is wrong, the idea that they can devote more of their time to domestic concerns is a natural move," said Strauss-Kahn. "To this extent, the pendulum is moving a little backwards. Political pressure is national pressure." But he added that he believes national leaders understand the need to work together, saying he was "optimistic" the G20 framework would fall by the wayside as a vehicle for addressing the lessons of the financial crisis. Strauss-Kahn also expressed optimism that Greece will be able to manage its budget problems, with support from European institutions. "If needed, we will be happy to help," he said, "but I don't think it will come to that." The global economy is recovering faster than the IMF expected last fall, but Strauss-Kahn said growth in advanced economies "still relies on public support. Private demand is still very weak." Financial markets are concerned about high and rising levels of public debt in many countries, putting governments under pressure to repair their public finances soon. For most countries, that is the wrong priority right now. The return of recession is possible if stimulus is withdrawn too fast. Maintaining expansionary fiscal policies longer than strictly necessary is a lesser problem. "It's a waste of resources," said Strauss-Kahn. "It adds to public debt for no reason, so it's bad policy." But governments will be dealing with budget consolidation and the reduction of public debt to pre-crisis levels for many years to come, so that starting "six months too late" is not a critical problem. (January 30, 2010, *Wall Street Journal*)

UK finance minister Alistair Darling has warned America not to go it alone with bank sector reforms. Darling cautioned that U.S. president Barack Obama's war on Wall Street announced on January 21 could harm international coordination. He called for unity among the G20 countries and said the moves to curb banks would not have prevented the financial crisis. "If everyone does their own thing it will achieve absolutely nothing," said Darling. "The banks are global — they are quite capable of organising themselves in such a way that if the regime is difficult in one country. They will go to another one and that doesn't do anyone any good." Obama sent shockwaves through the banking sector on both sides of the Atlantic with his announcement of proposals to limit the activities of banks. The plans include a ban on retail banks from using their own money in investments, instead of being limited to investing their customers' funds, and restrictions on banks' abilities to make high-risk trades. Obama said he was ready for a "fight" with the sector over the reforms. (January 24, 2010, *Press Association National Newswire*)

After taking the lead in lifting interest rates, Australia's Reserve Bank governor Glenn Stevens is resisting tighter global financial regulation. "You just can't ignore global standards completely," Stevens said, in reference to the financial rules being worked up by the Bank for International Settlements (BIS) Basel committee. "What you can do is seek to have those standards recognise a certain degree of national differences." The argument is that tailoring the new Basel rules to the approximately 40 global banks whose reckless behaviour produced the crisis risks imposing excessive costs on countries, where prudent supervision application of existing rules has worked well. These costs would flow through to lower returns to shareholders and wider interest rate spreads for borrowers and depositors. Some think that certain banks did not hold enough capital to back their risky lending. But thousands of other banks did not need to be bailed out by taxpayer capital injections. Under the Basel II capital adequacy framework, banks must hold an amount of capital weighted to the varying risk of lending for different sorts of assets. An overall leverage ratio is supposed help banks avoid the risk weightings to excessively gear. Many agree that banks did not hold enough liquid assets to tide them over when financial markets froze during the crisis. The Basel committee proposes to require banks to hold more AAA-rated assets, such as government bonds, which could be sold even during financial crises. The emerging Basel proposal, for example, would require Australian banks to hold more than the existing stock of Australian government debt. "Obviously that is not going to be possible, so some other way of handling this needs to be found," Stevens said. However, this rule would trouble countries that have run budget surpluses in recent years. Conversely, it would provide a captive buyers' market for the debt of governments that had run up huge budget deficits. The emerging regulatory response would require banks to hold counter-cyclical capital buffers. During boom times, when profits are high and confidence peaks, banks would be required to hold more capital to recognize the underlying increased risks and restrain their lending. (December 10, 2009, *The Australian*)

The G20 have agreed that large banks, whose failure could destabilize markets, should draw up contingency plans for speedy wind downs and be subject to tougher capital rules. The aim is to tackle the issue of "too big to fail" and lessen the need in future for huge government bailouts. German chancellor Angela Merkel has said banks should not be allowed to "blackmail" governments to bail them out or provide implicit support because they are too big to fail. Others have suggested, however, that much can be done to reduce the need and scale of government intervention, such as being subject to stricter capital requirements and have proposed setting up of a fund, with banks and governments contributing, in order to avoid the "scramble for funds" when a bank gets into trouble. (November 2, 2009, *Reuters News*)

Saudi Arabia has called for strict banking regulation and conservative lending regimes but at the same time has spoken out against the need for a global financial supervisor. It wants to strengthen regulatory institutions vis a vis banks, and it is working hard to have its views heard at the G20 finance ministers meeting in Scotland on November 6-7. "We need to promote regulatory frameworks and conservative policies giving the regulators and not the institutions the last word," said Muhammad al-Jasser, governor of the Saudi Arabian Monetary Agency. Western G20 states have advocated a crackdown on banker pay and regulation in the wake of the financial crisis. Jasser said that a single, over-arching super-regulator would do more harm than good and that countries needed to enact countercyclical policies that would dampen the highs and cushion the lows of economic swings. "If there was a super-regulator where they attempted to impose specific policies, they would have asked us like in the UK to have soft-touch regulation, telling us that supervision does not need conservative measures or policies … Saudi Arabia is trying to reflect the fears and concerns of the developing countries, namely the Arab and Gulf countries …We are undertaking a very active role and expressing those fears and concerns on your behalf ahead of the G20." (November 1, 2009, *Reuters News*)

Canadian financial authorities are trying to make the global regulatory system look more Canadian, according to Rick Waugh, CEO of Canada's Scotiabank. "The world can learn from Canada," he said. Bank of Canada governor Mark Carney said that U.S. and European bankers to change their approaches. On some issues, such as leverage ratios and reserve capital, G20 negotiators are trying to catch up with Canadian standards. One of the most difficult aspects of the G20 debate on financial regulation is how to avoid the collapse of institutions such as Lehman Brothers and the resulting drain on the public treasury. Proposals for avoiding a repeat of such a catastrophe range from breaking large banks into smaller companies, to having these institutions draw up "living wills" that would describe how their debts would be settled in the event of bankruptcy. "We're going to have some discussion about this whole issue of financial institutions that are, so-called too big to fail," Canadian finance minister Jim Flaherty said of the November G20 finance ministers meeting. "We need to talk more about that. We don't want to create moral hazard in the financial systems around the world." To deal with the risk of a major financial institution collapsing, some have proposed a type of international bankruptcy rule that would clearly indicate what happens after a failure. (November 3, 2009, *Globe and Mail*)

Global economic policy makers are just beginning to grapple with a key issue rising out of the 2008 bankruptcy of Lehman Brothers Holdings: how to react if or when the next big global bank starts to collapse. While the furor over bankers' bonuses has captured most of the headlines, policy makers are assigning each of the world's 25 most complex international banks to a multinational crisis-management team to draw up contingency plans if they run into trouble. But remarks from current and former officials underscore the major challenges such an effort will face. At the heart of the problem, said Harvey Pitt, who chaired the U.S. Securities and Exchange Commission from 2001 to 2003, are "fundamental concerns about sovereignty." The leaders of the G20 assigned the FSB to carry out the work. Progress likely will be reviewed when G20 finance ministers and central bankers gather in Scotland. To avoid a repeat of Lehman, the Basel Committee on Banking Supervision said in a report last month that banks should provide regulators with updated information on organizational structures, lists of counterparties, asset inventories for each legal entity and country, group-wide contingency funding plans and information needed to quickly settle financial contracts. Such plans have come to be known as "living wills." But efforts to change the current system have fallen short in the past. David Green, the former head of international policy at the UK's Financial Services Authority, said policy makers worked for a long time on tightening cross-border coordination following the collapse of the Bank of Credit and Commerce International in 1992. Ultimately these efforts foundered, in large part because in the event of a global bank failure, U.S. insolvency law dictates that most of the liquidity and capital in the U.S. stays there. "This issue has been understood for a very long time," Green said. "But every time this issue has been looked at, it's been put back into the 'too difficult to handle' box." Problems arising from complex financial institutions can be compounded by unilateral policy responses in different countries as authorities seek to carry out their responsibilities to protect domestic taxpayers. An example from the current financial crisis was the UK's use of antiterrorism laws to seize the assets of a failing Icelandic bank last October, which deepened the crisis in that country's financial system. "What is being tested out now is how far different countries are willing to get into specifics, where that involves sensitive information and to some degree involves pre-commitment on how they will act," said John Gieve, a former Bank of England deputy governor. And as time goes by, the tougher it could be. "Everyone worries a little bit that memories will be short, and that the longer we go without actually making some real progress here, the harder it will get," said former Bank of Canada governor David Dodge. "At least historically, that's been the case." (October 27, 2009, *Wall Street Journal*)

Canada's central bank governor Mark Carney has said that the global financial industry is in danger of becoming arrogant by resisting regulatory change and handing out bonuses that would not be there if governments had not intervened during the financial crisis. Carney warned bankers not to underestimate the determination of G20 countries to enforce new rules on executive pay and bank capitalization. He said large financial institutions benefited disproportionately from government intervention. The response has profoundly shifted risk from the private to the public sector. Carney said all G20 countries agree that bonuses should be tied to long-term performance. Banks would be well advised to make sure they have the sufficient capital rather than pay themselves handsome bonuses. "Relief is in danger of giving way to hubris," Carney said. Carney said the industry should not have blind faith in the security blanket of excess capital. He said financial institutions need to demonstrate an awareness of their broader responsibilities. This approach requires a sensitivity from the industry, which has been absent in recent months. "The financial system must transition from its self-appointed role as the apex of economic activity to once again be the servant of the real economy … Stronger institutions and a system that can withstand failure are necessary conditions. But full realization of this objective also requires a change in attitude." (October 26, 2009, *Associated Press Newswires*)

### *Debts*

**Canadian prime minister Stephen Harper has asked the G20 to agree to halve fiscal deficits by 2013 when they gather for their summit in Toronto. Harper made the request in a letter to the G20 leaders.[58] (June 18, 2010, *Kyodo News*)**

[58] *Kyodo News* (June 18, 2010), "Canada asks G-20 peers to agree to halve deficits by 2013."

Helping Europeans countries find solutions for their debt and spending problems is the "Number One" issue of the G20 summit in Toronto later this month, Canadian finance minister Jim Flaherty said. The G20 needs to develop a framework for sustainable economic growth in Europe. Flaherty said concrete proposals will be ready for global leaders to consider when they meet in Toronto. "What's going on in Europe is not an academic exercise." He said it is critical that certain vulnerable countries in Europe resolve to cut spending and reduce deficits because their instability is challenging economic recovery around the world. "I think it's clear there's a risk to growth arising out of the European situation," he said.[59] (June 7, 2010, *Globe and Mail*)

Canada will push for the G20 to develop clear plans for cutting their budget deficits at the Toronto Summit, according to Canadian Finance Minister Jim Flaherty. "We are all agreed in the G20 that fiscal consolidation is mandatory," Flaherty said. "Our intent is to get a clear agreement on the principles needed to achieve real progress on reducing deficits and debt burdens. In Toronto we will push for clear, credible, concrete, timely fiscal consolidation plans." Flaherty said that G20 finance ministers and central bankers were particularly concerned about European countries that are running unsustainable deficits. "We've pushed hard for those countries that need to fiscally consolidate in Europe to get on with it and to demonstrate their resolve," Flaherty said. "This is important because there is a risk to economic growth generally if the fiscal consolidation issue is not dealt with expeditiously and effectively." Flaherty also said reforms of the global financial system should be speeded up because "uncertainty is the enemy." It would be best if banks and other financial institutions know as soon as possible what capital requirements and leverage limits will be, he said.[60] (June 7, 2010, *Reuters News*)

Europe's fiscal and financial problems will be on the G20 finance ministers' agenda when they meet at the beginning of June. There will be a particular focus on what member countries might be able to do to mitigate potentially negative implications. Canadian finance minister Jim Flaherty intends to push for the G20 to unveil clear and credible debt-reduction strategies, and for emerging economies to introduce policies that boost domestic demand, such as liberalized foreign-exchange policies. Present government debt levels are worrisome. Thus governments must release credible plans to return to more sustainable debt levels, in an effort to appease bond investors and keep a lid on long-term borrowing costs.[61] (June 1, 2010, *National Post*)

Canadian prime minister Stephen Harper is urging leaders to issue clear deficit-cutting plans to prevent national-debt crises like the one in Greece from triggering a new wave of global financial instability. In a letter to the G20, Harper warned that the European debt crisis shows leaders they face a choice between setting out their own deficit-cutting plans or seeing financial markets force them into harsh measures later. "We can confront our fiscal challenge with clear and realistic plans for fiscal consolidation, or we can wait for markets to dictate the terms for us." At the first G20 summit, leaders committed to huge

[59] *Globe and Mail* (June 7, 2010), "Europe is No. 1 G20 issue: Flaherty; Finance minister says members need to develop framework for sustainable economic growth in Europe."
[60] *Reuters News* (June 7, 2010), "Canada to urge deficit cuts at Toronto G20 meeting."
[61] *National Post* (June 1, 2010), "European woes likely focus of bankers; G20 gathering."

amounts of economic stimulus, but now there are fears the spending is a runaway train, that countries will pile up debts they cannot pay and that their defaults will trigger a fresh phase of instability. The crisis in Greece and fears that the debt crisis could spread to Portugal, Italy, and Spain have arisen. "This bold and exceptional response was needed to ward off a much worse situation," Harper said. Still, Harper noted that it is too soon to halt spending. "To meet this challenge, we must deliver firm, credible plans that will put our countries on a path to fiscal sustainability." Around the world, big deficits have become common: Britain, the U.S.s and Japan all have annual deficits close to 10% of their economies.[62] (May 17, 2010, *The Globe and Mail*)

The Bank of Canada and prime minister Stephen Harper have warned that national debt problems like those in Greece are a threat to economic rebound in Canada and around the globe. "The debt situation is one of the largest, arguably the largest, risk to securing the global recovery," central bank governor Mark Carney said. "The net result of this would be negative for growth in Canada." The risk that Greece's debt emergency could spread has raised the possibility of a renewed economic crisis dominating the G20 and G8 leaders' summits in June. "The Greek crisis reminds us that government borrowing and government debts cannot go on without limit," Harper said. Assessing economic conditions, Harper said "there is still an overall fragility, particularly as we know in big markets of the United States and Europe, and still systemic risks out there in terms of banking systems and government debt." The latest reports say the Greek bailout may require $160 billion over three years. It's the IMF's biggest crisis since the Asian financial meltdown of the late 1990s. Fears of a wider emergency have spread along with cuts to the debt ratings of Portugal and the more significant economy of Spain. Speaking at the Senate banking committee, Carney said national debt problems could result in a longer-than-expected economic slump, both in Canada and internationally. "There is a risk," he said, "that sovereign credit concerns could intensify, leading to higher borrowing costs and a more rapid tightening of fiscal policy in some countries."[63] (April 30, 2010, *Toronto Star*)

The crisis in Greece could spread and endanger the global economic recovery, Canadian finance minister Jim Flaherty said as countries pledged to help out the debt-swamped government. "There are a number of western industrial economies, including a number of European economies, that are running substantial deficits and accumulating a lot of debt," he said. He said finance ministers are worried that unless these debt-burdened countries stop living beyond their means it could slow the rebound from the recession. There are rising concerns that the crisis in Greece could spread to Spain, Portugal and Ireland. The European Union and the IMF will pour about US$60 billion into Greece to help the country stave off national bankruptcy. U.S. treasury secretary Timothy Geithner threw his weight behind a bailout for Greece after talks with Greek finance minister George Papaconstantinou, IMF managing director Dominique Strauss-Kahn and EU officials. European governments are stepping in to help Greece because a default would batter stock market confidence, weaken the euro currency and have a ripple effect among

[62] *Globe and Mail* (May 17, 2010), "Make 'firm plans' to cut deficits, Harper urges G20."
[63] *Toronto Star* (April 30, 2010), "Carney, PM fear Greece fallout euro debt; Wide emergency would delay rebound of fragile economies, increase global borrowing costs, central bank warns."

financial institutions holding Greek bonds. It might also precipitate similar troubles in other European countries with weak fiscal pictures. But, even as the conditions of a bailout were being worked out with Greek officials, there were concerns that the country's problems would require more than the $60 billion in short-term aid currently under consideration. "Some countries think it's not enough," Flaherty said. "There is concern about making sure that the package is enough so that it's a one-time event." Winding down recession-fighting government spending and reducing deficits now that the recession is abating is one of the top goals of the G20 and will be the basis of much discussion when the G20 leaders meet in June.[64] (April 25, 2010, *The Toronto Star*)

The IMF has warned countries to watch their levels of government debt, saying it could drag down the growth needed to ensure continued economic recovery. The economic crisis is leaving "deep scars in fiscal balances, particularly in the advanced economies," John Lipsky, a chief official at the IMF said. He said that countries that have been going into debt to stimulate their economies should now prepare for belt-tightening steps next year. "Policymakers should be making it clear to their citizens why a return to prudent policies is a necessary condition for sustained economic health." The IMF projects that gross general government debt in the G7, except Germany and Canada, will rise from an average of about 75% of GDP at the end of 2007 to about 110% of GDP at end of 2014. "Addressing this fiscal challenge is a key near-term priority, as concerns about fiscal sustainability could undermine confidence in the economic recovery," Lipsky said, adding that in the medium term, large public debt could lead to higher interest rates and slower growth. Countries should aggressively pursue reforms that will boost growth, such as the liberalization of goods and labour markets and the elimination of tax distortions, though such moves on their own will be insufficient without direct measures to reduce spending. They should also strengthen fiscal institutions in ways that could include improving tax collection and reinforcing fiscal responsibility legislation, while pursuing entitlement reforms, such as increasing the retirement age, to help in restoring finances, he said.[65] (March 21, 2010, *Associated Press Newswire*)

The G20 admit that they have a debt problem. The UK has promised to legalize its promise to halve its budget deficit in four years. U.S. president Barack Obama said that he understands the failure that will result if they do not control expenditure risks. The U.S. is still considering tax cuts to encourage companies to hire, but Obama said "it is important to recognize if we keep on adding to the debt, even in the midst of this recovery, that at some point, people could lose confidence in the U.S. economy in a way that could actually lead to a double-dip recession." Obama's willingness to concede publicly that there are limits to how much he can spend is an example of how governments are trying to earn credibility with the investors underwriting their legislative agendas. If purchasers of sovereign debt lost confidence in countries' ability to pay, they will demand higher yields on the bonds they buy, making it even more difficult for governments to square their obligations. With the global economic recovery underway, investors, voters, credit rating agencies and the leaders themselves are starting to get a

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[64] *Toronto Star* (April 25, 2010), "Greece seeks $60 billion lifeline Getting down to business; Rich nations seek way to ease Athens' debt woes as German voters oppose major bailout."

[65] *Associated Press Newswire* (March 21, 2010), "IMF warns wealthiest nations about their debt."

clearer picture of the bill for that unprecedented spending. Creditability is important because the economies of most G20 countries remain too fragile for finance ministers to begin unwinding stimulus measures. Canadian finance minister Jim Flaherty has not yet pledged in writing to pay down the debt like the British or Germans have done. Others are also questioning whether the Americans will keep their promise. "They have fiscal responsibility on the cover of the budget, but nothing inside the budget," said Phillip Swagel, former chief economist at the treasury department.[66] (November 19, 2009, *Globe and Mail*)

### *Accounting*

Japan will adopt a controversial "fair value" international accounting rule for some of its companies, bolstering the position of the global standard setter after setbacks in the U.S. and Europe. Fair value accounting, or valuing assets at market prices, has unleashed one of the most divisive debates to have emerged from the credit crisis, threatening to disrupt a pledge by the G20 to create a single, global accounting system by mid 2011. The U.S. and Europe have failed to agree on the degree to which fair value, or "mark-to-market," accounting should be used in the valuation of financial assets. Those in favour of fair value, including U.S. executives and accountants, say that it provides a transparency vital to investors. Those against, including European politicians and regulators, blame it for exacerbating the credit crisis by providing a snapshot of prices in a falling market. The Japanese financial services agency is to include the controversial rule, the first part of an international accounting standard known as International Financial Reporting Standards 9, in a package to be made available for use by some Japanese companies on a voluntary basis from March 10. The rule values loans and loan-like instruments at cost, and everything else, including complex instruments such as derivatives, at fair value. Accountants consider it a good compromise position in the fair value debate. The decision by Japan to show support for IFRS will go some way to bolster the position of the International Accounting Standards Board at a difficult time. Last year European politicians refused to sanction an early introduction of IFRS 9 on fair value. Those opposed said that the rule did not go far enough to limit the use of fair value accounting. In February 2010, the U.S. voted to wait until 2011 to decide whether American companies should adopt the IFRS. Experts say that fair value is a sticking point, as U.S. standards setters support a greater use than is advocated in Europe. Japanese executives, including Atsushi Saito, president and chief executive of the Tokyo Stock Exchange, have voiced frustration at the failure of the U.S. and Europe to come to an agreement on IFRS. IFRS rules are in use or due to be adopted by more than 110 countries including those of Europe.[67] (March 8, 2010, *Financial Times Asia*)

The International Accounting Standards Board continued to defend itself from political pressure and reinforce its role as an independent guide to investors rather than a tool for policymakers. The IASB sets accounting principles that are effectively law in over 100 countries but has been criticized for being slow to respond to concerns during the

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[66] *Globe and Mail* (November 19, 2009), "The next crisis: National debts."
[67] *Financial Times Asia* (March 8, 2010), "Tokyo offers support for 'fair value' accounting standard."

financial crisis. Its rules will form the bedrock for one set of global standards by mid 2011 as called for by the G20. "These changes, which are aimed at enhancing public accountability, stakeholder engagement and operational effectiveness, complete the second part of the … constitution review," the IASB said. Stig Enevoldsen, chiar of the European Financial Reporting Advisory Group, said that "the trustees have made very good and wise decisions and we strongly support that there is now a commitment to principles-based standards." The IASB announced several key changes that would take effect on March 1.[68] (February 15, 2010, *Reuters News*)

The world's most influential accounting rule setter is not answerable enough to users or the public and must improve its governance further, top financial regulators said. IASB rules are used in over 100 countries, including the EU, Canada, Japan and Brazil. The U.S., however, is still considering its position. The IASB will become more powerful next year when its rules form the basis for a single set of global standards as called for by the G20, sparking calls for the London-based body to be more accountable and transparent. The G20 agreed in September that pricing rules, known as mark-to-market or fair value, should be reformed, putting pressure on the IASB to make speedy changes that alarmed some. The IASB agreed to accelerate fair value changes after pressure from EU finance ministers stalled on endorsing the reform. The IASB said governance has been strengthened by introducing the monitoring board and expanding board membership to 16 from 14, with more changes under consideration once work on global convergence is completed next year. "The results of the second part of the constitutional review are expected to be published shortly," an IASB representative said.[69] (February 8, 2010, *Reuters News*)

The European Commission said it will not endorse a new accounting rule that EU finance ministers had called for to relieve pressure on banks and insurers from the credit crunch. The International Accounting Standards Board (IASB) published the first of a three-part revision to its IAS 39 "fair value" rule to simplify how companies classify and measure assets on their books. The G20 agreed in April that major standard setters should simplify the "fair value" or mark to market accounting rule by the end of this year. The change must be endorsed by the European Commission to take effect in the EU but the executive body said the revision was only the first of three sections. "Accordingly the Commission has decided that it would examine the adoption of IFRS [International Financial Reporting Standards] 9 in conjunction with the remaining two phases of the revision of IAS 39, which are expected in 2010," the commission said. Consequently EU banks and insurers will not be able to apply the change in their 2009 annual reports as called for by the G20.[70] (November 12, 2009, *Reuters News*)

France is dissatisfied with changes to accounting rules proposed by the IASB to fast-track changes to its IAS 39 fair value rule. The proposal was made as part of global efforts to modify mark-to-market accounting rules that are likely to look similar on both sides of the Atlantic. French finance minister Christine Lagarde bemoaned different approaches to

[68] *Reuters News* (February 15, 2010), "Accounting body shores up defences, investor focus."
[69] *Reuters News* (February 8, 2010), "Global accounting body told to improve governance."
[70] *Reuters News* (November 12, 2009), "EU executives won't endorse accounting rule for now."

regulations in the United States and Europe despite eventual plans to converge. She said she would discuss the subject with the head of the London-based IASB, David Tweedie, in Luxembourg. "I will tell him in as firm a manner as possible that the revision of norm IAS39 should not be revised in a sense that accelerates fair value but in a sense that conforms with … financial stability which is not the case today," she said. Lagarde has said previously that plans by the IASB to ease the impact of the credit crunch on banks would make their situation worse. Banks have been forced to make huge writedowns on some assets as accounting rules require them to be valued at the going rate, a process known as fair value or mark-to-market. Some assets have slumped in value or become untradable in the credit crunch. Policymakers say accounting rules amplified the crisis and must be changed. In comments that largely focused on France's position at the recent G20 summit in Pittsburgh, Lagarde noted the need to shore up regulation with regards to the global commodities market.[71] (October 14, 2009, *Reuters News*)

### *Offshore Jurisdictions and Tax Havens*

At their April meeting the G20 finance ministers and central bank governors "welcomed the progress by the Financial Action Task Force in the fight against money laundering and terrorist financing, particularly regarding the issue of a public statement on jurisdictions with strategic deficiencies last February." They also welcomed "the report by the Global Forum on Tax Transparency and Exchange of Information, the launch of the peer review process, and the development of a multilateral mechanism for information exchange which will be open to all countries. [They also] welcomed the launch of the evaluation process by the FSB on the adherence to prudential information exchange and cooperation standards in all jurisdictions.[72] (April 23, 2010, *Reuters News*)

The Swiss government recently approved deals with the United States, France, Britain, Denmark and Mexico to share data on potential tax evaders, except for when those requests are based on stolen data. Switzerland's relations with both France and Germany have been strained in recent months after both countries obtained stolen information on possible tax dodgers with Swiss bank accounts. "We won't give administrative assistance if stolen data is presented. That's our sovereign right," said Swiss finance minister Hans-Rudolf Merz. "France has stolen data … If we get a request for administrative assistance from France, we're not honouring it." All five agreements have been signed bilaterally but still have to be passed by parliament's lower house. The government has already said it could put a tax agreement up for a referendum.[73] (March 17, 2010, *Reuters News*)

The UK sees no need to impose sanctions on tax havens for falling short of international transparency standards. However, it could still impose future penalties if the pace of compliance among jurisdictions slows. The G20 set a March 2010 deadline for jurisdictions to sign up to international tax information standards or face penalties but left it up to each country to decide whether sanctions were appropriate. The UK took the lead

[71] *Reuters News* (October 14, 2009), "France's Lagarde dissatisfied with accounting rule plan."
[72] *Reuters News* (April 23, 2010), "Communique from G20 meeting in Washington."
[73] *Reuters News* (March 17, 2010), "Swiss upper house approves five bank data deals."

in the crackdown on tax havens and expects to capture billions of pounds of revenue as a result of greater compliance. But a UK official said "it's not in anyone's interests" to impose sanctions now that the OECD has removed all jurisdictions from its black list of noncompliant countries and many financial centres are pressing ahead with negotiations on OECD-approved accords on exchanging of tax information. "We have seen a great deal of progress," the official said. The UK signed tax information agreements with Malaysia, the Cayman Islands and Luxembourg over the last year. Those accords commit territories to cooperate in tax matters by exchanging information on request of one of the parties. In January, Stephen Timms, the financial secretary to the treasury, warned that the UK government might impose some sanctions, saying, "I'm not sure everybody is quite at the mark yet." The OECD currently lists 21 jurisdictions as having signed up to but not implemented international standards, placing them on their grey list. Last April, when the G20 launched its tax haven crackdown, there were 38 jurisdictions on the OECD grey list and four countries — Costa Rica, Malaysia, Philippines and Uruguay — on the OECD black list. Meanwhile, the UK has proposed widening out the OECD work on tax transparency in a bid to help developing countries stem tax avoidance and evasion. The UK wants to seal a multilateral accord on exchanging tax information with developing countries by the end of the year and wants to see tax havens agree to automatic exchange of tax information in the longer term. Timms said in January he also believes the G20 will need to look again at OECD information-exchange standards to see if they are tough enough.[74] (March 4, 2010, *Dow Jones Capital Markets Report*)

Switzerland, Liechtenstein, Luxembourg and Austria are still being pressured over bank secrecy. Switzerland, Europe's biggest offshore centre, has been at the frontline of the latest campaign against tax havens. In retaliation to Germany's use of stolen Swiss banks records to catch German tax evaders, Alfred Heer, a Swiss member of parliament, has proposed that laws which would force banks to disclose the names of German politicians, public officials and judges who have undisclosed Swiss bank accounts be introduced. This proposal has gained appeal because it would expose the hypocrisy that exists in the anti-tax haven campaigns in France, Italy and Germany.[75] (February 16, 2010, *Financial Times Europe*)

At a meeting of the steering group of the Global Forum on Transparency and Exchange of Information for Tax Purposes, Indian finance minister Pranab Mukherjeey said that "the work of the global forum is very important for fighting tax evasion and that is why we have worked so hard to ensure that the peer review process can start quickly." The G20 asked the forum to complete their peer reviews and assess adherence to international standards. "India is strongly committed to the global forum's work and I am confident that the needs of the developing countries will be taken into account by the forum," Mukherjee said. "Tax plays a crucial role in helping developing countries mobilize their domestic resources and enforcing high standards of transparency and exchange of information internationally will be an important part of this strategy."[76] (February 15,

[74] *Dow Jones Capital Markets Report* (March 4, 2010), "UK Sees No Need For Tax Haven Sanctions At Present-Source."
[75] *Financial Times Europe* (February 16, 2010), "Greek crisis proves Switzerland is still a safe haven."
[76] *Asia Pulse* (February 15, 2010), "G20's Global Forum Important to Check Tax Evasion: India Min."

2010, *Asia Pulse*)

The British government has asked developing countries to swap information to crack down on tax avoidance. UK treasury minister Stephen Timms wrote to 16 countries, including Jamaica, Cameroon, South Africa and Vietnam with the aim of setting up a multilateral tax information exchange involving Britain by the end of the year. Timms wants a response by the end of March. “The discussions will be an important further step to ensuring developing countries have the ability to collect the tax they are owed,” Timms said. “For too long developing countries have been cheated out tax revenues by individuals and some companies — we will not allow this to continue.”[77] (February 9, 2010, *Reuters News*)

Germany told Switzerland it is ready to pay for data on cross-border tax evasions, adding additional pressure on Switzerland as it struggles to break a deadlock with U.S. tax authorities over disclosure at UBS. Germany’s warning puts a strain on an already difficult tax relationship between the two countries and comes after Berlin paid for data stolen from Liechtenstein’s top bank, LGT, in 2008. “Everything should be done to get this data,” German chancellor Angela Merkel said. “We should aim to acquire this data if it is relevant [to fighting tax evasion].” A representative of the German finance ministry said this could involve paying for data of suspected tax evaders even if the information was obtained illegally.[78] (February 1, 2010, *Reuters News*)

The UK government set out proposals to broaden the crackdown on tax evasion to benefit developing countries, setting a year-end deadline for a UK-led multilateral accord for sharing tax information with emerging countries. Stephen Timms, the financial secretary to the Treasury, said he will urge other developed countries to follow the UK lead. That could eventually open the way for multinational tax information accords, which would include former tax havens, developed and developing countries. “The immediate priority is getting a multilateral agreement signed so that developing countries do have access on request to the kind of information that they need,” Timms said. He said a recent UK government study had suggested developing countries approximately $50 billion annually in evaded tax, a sum several times larger than the UK’s entire £6 billion aid budget. Timms said he would also lay out ideas for ensuring developing countries can capture taxes owed them. Following a report commissioned by French president Nicolas Sarkozy and UK prime minister Gordon Brown, he said he will urge the OECD to design best practice for multinational companies pushing them to carry out so-called country-by-country reporting. This requires companies to report their profits on a country-by country basis, making it easier for developing government to get what is owed them. Timms was pleased with progress made in pushing tax havens to provide more information to developed countries over the last year. He said more progress had been made in the last 12 months than in the last decade. “Through the G20 work and with the help of the OECD, we have made sure that tax evaders have got fewer and fewer places to hide.” However, Timms said it was still possible sanctions could be imposed on jurisdictions that haven’t made enough progress on eliminating bank secrecy when the G20 deadline

[77] *Reuters News* (February 9, 2010), “UK asks developing nations to join tax exchange.”
[78] *Reuters News* (February 1, 2010), “Germany adds to pressures on Swiss bank secrecy.”

expires in March. He said the G20 will need to look again at the current OECD information-exchange standards to see if they are tough enough to ensure that individuals and companies cannot use low-tax jurisdictions to stash money away. "I think everybody is going to want to take stock of how the TIEAs [tax information exchange accords] have worked," he said. "I would certainly expect the standard to develop…[to] become more demanding."[79] (January 26, 2010, *The Wall Street Journal*)

Tax havens signed more than 300 agreements promising to exchange information in 2009 in "one of the big success stories of the G20," according to the OECD. The number of agreements "skyrocketed" in the run-up to the G20 London Summit, where G20 leaders agreed to "stand ready to deploy sanctions" against non-cooperative jurisdictions. The concerted political drive against tax secrecy, prompted by evasion scandals and the global financial crisis, meant more progress was made in 2009 than in the past decade, said the OECD. Before the G20 Washington Summit in November 2008, only 44 tax information exchange agreements had been signed. Only eight jurisdictions — Belize, Liberia, Nauru, Niue, Panama, Vanuatu, Guatemala and Philippines — have yet to sign any agreements. But many expect these countries to have at least one agreement by March 2010. Sanctions against uncooperative jurisdictions might be coordinated by the G20 or G8 but were a matter for domestic legislation, according to the OECD, which pointed out that certain countries including France and Australia had already put in place legislation for "defensive measures." But a joint decision is needed on the question of whether multilateral institutions could invest in non-cooperative jurisdictions. A total of 19 jurisdictions have made the transition from the grey list to the top category deemed to have "substantially implemented" the tax transparency standard by signing at least 12 agreements on exchanging tax information. This category does not represent a "white list" because there is a widespread desire to move beyond 12 agreements and a need to ensure agreements are implemented. As well as 195 tax information exchange agreements signed last year, 110 double tax conventions were upgraded. Only 13% of agreements had been signed between offshore jurisdictions, said the OECD in a response to criticism of the relevance of some of deals such as those struck by Monaco with Liechtenstein, Andorra and the Bahamas. Hong Kong, Macao and Singapore put in new legislation by the end of 2009 and were actively negotiating agreements. Emerging economies, notably Argentina, China, India and South Africa, are also negotiating TIEAS, according to the OECD, which is keen to extend the benefits of more tax transparency to developing countries. The difficulty of ensuring that jurisdictions implement the agreements will be addressed by a three-year peer review process involving 91 countries, including all G20 members, all OECD countries and all offshore jurisdictions. The peer review group is chaired by France with vice-chairs from India, Japan, Singapore and Jersey. The peer review process is expected to allow critics an opportunity to voice concerns about other controversial aspects of tax systems including trusts and the anonymous accounts available in some U.S. states such as Delaware.[80] (January 19, 2010, *Financial Times*)

Offshore financial services are still a development option for some Caribbean states,

[79] *Wall Street Journal* (January 26, 2010), "U.K. to Crack Down on Tax Evasion in Developing Countries."
[80] *Financial Times* (January 19, 2010), "OECD hails tax haven crackdown."

despite unwelcome pressure from the G20 to target tax havens. “There is no doubt there is much pressure on the offshore financial services sector, but there is still an opportunity for the region,” said Irwin LaRocque, Caricom assistant secretary general for trade and economic integration said. Caribbean leaders argue that the G20 and OECD’s focus on their members is unfair and discriminatory and say there are offshore financial jurisdictions within the United States, Britain and Europe that fail to apply the same transparency standards being demanded of their countries. Nevertheless, several Caribbean territories and states have scrambled to sign the 12 bilateral tax information exchange agreements required to get off the OECD grey list.[81] (December 10, 2009, *Reuters News*)

Elena Salgado, Spain’s minister of economy and financial affairs, and Didier Reynders, Belgium minister of financial affairs, signed a modification of the agreement between their two countries to prevent double taxation and tax evasion in the Income Tax and the Property Increment Tax as well as to prevent fraud and tax evasion in general. Belgium was one of a few EU states with legislation that recognizes bank secrecy. Following the efforts carried out by the G20, Belgium undertook to adapt its legislation to the current OECD standards as far as information exchange is concerned. The new agreement involves a considerable progress for tax fraud prevention and will play an important deterrent role as far as transactions involving international tax fraud are concerned. In Spain, the law enables the regularization of tax payers who have not met their fiscal duties within the legal period established.[82] (December 4, 2009, *States News Service*)

The Swiss government has asked its parliament to approve five new tax treaties as part of its effort to counter the stigma of being an international tax haven and said the deals should be subject to an optional referendum. The Swiss finance department said the initial batch of five revised double taxation agreements (DTAs) were with the United States, Denmark, France, Mexico and Britain. “The revised DTAs meet international standards relating to administrative assistance in tax matters. They provide numerous benefits for the Swiss economy,” the department said. “The Federal Council is of the opinion that they should all be made subject to an optional referendum.” The Swiss government had initially suggested only the first revised treaty should be voted upon in a referendum but this was met with a storm of criticism by those who oppose the weakening of strict banking secrecy. The finance department said the lower chamber should consider the agreements next spring and the government expected to submit a second batch of five agreements for approval before the end of January 2010.[83] (November 27, 2009, *Reuters News*)

The UK’s overseas territories and crown dependencies must improve standards on financial regulation and tax information-sharing and should broaden their tax base or face possible consequences, a UK treasury commissioned report said. The report also said that the UK government should discuss what its relationship and responsibilities will be to

[81] *Reuters News* (December 10, 2009), “Caribbean finance to survive G20 pressure-Caricom.”
[82] *States News Service* (December 4, 2009), “Spain and Belgium Sign an Amended Double Taxation Agreement to Prevent Fiscal Fraud.”
[83] *Reuters News* (November 27, 2009), “Swiss to consider referendums for all new tax deals.”

them in the future, including what financial assistance it will provide in times of crisis, and how their risks exposures will be managed. The report was commissioned by the Treasury because of concerns raised by the financial crisis about the UK's ties with offshore centers, including tensions between the UK and the Isle of Man over the UK's decision to freeze the assets of Icelandic banks in the UK, including the Isle of Man branches. It also comes amid efforts by the G20 leading economies to tighten financial regulation and crack down on tax havens. Stephen Timms, financial secretary to the Treasury, welcomed the report. "This report sends a strong signal to overseas financial centers that they must ensure they have the correct regulation and supervision in place, whilst also ensuring their tax bases are more diverse and sustainable to withstand economic shocks," he said.[84] (October 30, 2009, *Wall Street Journal Online*)

Singapore, under pressure from the G20 to improve banking transparency, passed a bill in parliament amending its income tax law to comply with OECD standards to fight cross-border tax evasion. The bill enables the Singapore government to ask banks for client information in potential cases of foreign tax evasion, and moves the city-state a step closer to being taken off the OECD's "grey list" of uncooperative tax countries. Private bankers say the greater transparency could attract more clients from the Middle East and Europe who are looking to diversify away from scandal-hit banks and to gain exposure to fast-growing Asian markets. "Singapore did the right thing in signing up to the OECD standards — it avoids an influx of money coming for the wrong reasons," said Pierre Baer, Société Générale's head of private banking for Singapore and South Asia. "People come to Singapore because it's a natural draw to emerging markets," he said, adding Singapore had also adapted well to cater to the region's growing millionaires. The wealth of high net worth individuals in Asia Pacific, or those with over $1 million to invest, is expected to grow 8.8% a year for the next 10 years, despite last year's setbacks, according to a Merrill Lynch/Capgemini report. Private bankers in Singapore discount the possibility of greater transparency driving some clients away, since they say all financial centres are moving in the same direction and there will soon be a level playing field. Singapore endorsed the OECD's standard for the exchange of information for tax purposes in March and has been renegotiating existing agreements with various countries since then. It only needs to sign one more treaty to get off the OECD grey list. However, much of Singapore's wealth under management comes from Asian countries such as Indonesia, and so far Singapore has yet to sign new treaties with its neighbouring countries. Experts said that if Indonesia, which has recently taken a tougher stance against tax evasion, was to successfully push for a new tax deal, it would worry banks and their clients.[85] (October 19, 2009, *Reuters News*)

### *Executive Compensation*

The German cabinet approved a draft law to limit bonus payments for bankers, honouring a commitment made by the G20 to stop such compensation schemes encouraging risk

[84] *The Wall Street Journal Online* (October 30, 2009), "U.K. Treasury Report: Offshore Centres Must Up Regulation Standards."
[85] *Reuters News* (October 19, 2009), "Singapore passes tax law to improve transparency."

taking. The finance ministry said that under the draft law a considerable part of bonuses should first be paid after three years, depending on commercial success. At least 50% of the sum should be paid in the form of shares or similar instruments, the ministry said, adding that guaranteed bonus payments were only allowed in exceptional cases, such as in the first year of a new employee's term. The law should come into effect in October at the latest. The FSB has been tasked by the G20 to make sure that a wide range of new financial regulation is applied consistently across the world so that countries do not try to take advantage.[86] (February 9, 2010, *Reuters News*)

Brazilian central bank governor Henrique Meirelles said new legislation was being drafted to regulate bank executives' bonuses to prevent actions that may endanger the stability of the Brazilian financial system. "The idea is very simple. It is merely to prevent a sharp increase in short-term earnings of bank executives that may pose risks to the Brazilian economy, the country, the public sector and the financial sector itself," Meirelles said. There will be a public hearing lasting for 90 days, following the recommendations of the G20, said Meirelles. Brazil will work out rules that will prevent bank executives from increasing their annual bonuses without taking into account the financial health of the banking system in the future. Brazilian finance minister Guido Mantega expressed his support for implementing the G20 recommendations to stop the excessive increases in the executives' bonuses. "It has been discussed at length in the G20. There is a consensus that bonuses may be granted, but not to those who got a quick profit and ran off," he said.[87] (February 2, 2010, *Xinhua News Agency*)

Germany is proposing a law to limit excessive bonus payments for bankers. A finance ministry spokesman confirmed that a draft law existed on the issue, aimed at implementing the standards of the FSB. In September, the G20 endorsed principles proposed by the FSB devised to stop bonus schemes in banks from encouraging too much short-term risk taking. The FSB is due to report on how the principles have been applied in March.[88] (January 16, 2010, *Reuters News*)

Bank bonuses will raise approximately €360 million for the French government, finance minister Christine Lagarde said. "We are reckoning on the €360 million collected [from the bonus], of which €270 million [$391.5 million] will be reserved as the Guarantee Fund for Deposits to reinforce the security of depositors." In December 2009, the French government approved a draft bill for the bonus tax and the parliament will hold further discussions in January 2010. Lagarde said that France will try to persuade the United States to adopt the bonus tax during the G7 finance ministers meeting in February.[89] (January 12, 2010, *Xinhua News Agency*)

Britain will gain approximately $3.2 billion from its controversial tax on bank bonuses, as it did not deter banks from paying big payouts. Banking sources dismissed original government estimates that the 50% tax on bonuses over £25,000 would raise around £550

[86] *Reuters News* (February 9, 2010), "German cabinet backs bill to limit banker bonuses."
[87] *Xinhua News Agency* (February 2, 2010), "Brazil to regulated bank executives' bonuses."
[88] *Reuters News* (January 16, 2010, "Germany planning law to limit bank bonuses-report."
[89] *Xinhua News Agency* (January 12, 2010), "Bonus tax to contribute 360 mln euros for France: Lagarde."

million. "It will be multiples of that," said one. "There are a few banks who could have to pay that on their own." Banks appeared to prefer to pay the tax themselves, rather than risk enraging staff by paying them significantly less than their overseas colleagues, especially after a bumper year for investment banking. Industry sources said the major international banks were likely to swallow most of the cost themselves. Many banks will wait to make a final decision near the end of January. Britain's tax provoked outrage throughout the industry and sparked fears that London would lose staff and business to rival financial centres. "If you talk to Americans in both New York and the West Coast, the view is absolutely uniform. They cannot understand why Britain is trying to kill the golden goose by the bonus supertax," said James Perry, a partner at law firm Ashurst. All G20 countries, including the U.S. and leading European Union countries, agreed to guidelines on the structure of bank pay packages in an attempt to reduce excessively risky behaviour by bankers, blamed in part for helping sow the seeds of the credit crisis.[90] (January 7, 2010, *Reuters News*)

The head of Germany's biggest bank, Deutsche Bank's Josef Ackermann, said that the banking sector would adhere to self-regulation on salaries and bonuses similar to G20 recommendations. "They will be in fundamental accordance with the rules that the G20 nations aim to implement," he said. He added that the bonuses would be "more strongly linked to the sustainable success of the bank and take the risks of the bank business better into account."[91] (December 11, 2009, *Agence France Presse*)

France and Germany have backed the UK's push for a special tax on executive bonuses. The momentum building up in Europe behind the clampdown on bonuses followed conversations between officials in the G7, after the UK's pre-budget report outlined the 50% tax on bankers' bonuses of more than £25,000. French president Nicolas Sarkozy decided to follow the UK in imposing the one-off penalties on bonuses over €27,000 after weeks of feuding between London and Paris over the regulation of European markets. He met British prime minister Gordon Brown in Brussels on the fringes of an EU summit. German chancellor Angela Merkel was also sympathetic to the British initiative, calling it a "charming idea" and saying that others could "learn from the City of London." While a UK officials were optimistic that Germany would follow suit, senior German sources cautioned that Merkel would not, for legal reasons, be able to replicate the banker bashing. Brown said that "there is a one-off national insurance premium to be paid by the City, and that will happen in France as well. I believe other countries will now want to look at it and we have also an agreement in the international community to look at the relationship between banks and the service they owe to society. France is very supportive on that. The debate in the international community will move forward." Merkel apparently prefers a Tobin-style tax on financial transactions, which Brown is attempting to persuade major leaders to endorse. In a letter to the other 26 EU heads of government, Brown said: "The EU should work actively with our international partners to develop proposals to ensure a better balance of risks, rewards and responsibility between society and the financial sector." The U.S. administration is opposed to a Tobin tax.[92] (December

[90] *Reuters News* (January 7, 2010), "UK set for tax windfall as banks stick to bonuses."
[91] *Agence France Presse* (December 11, 2009), "German bank chief says sector to follow G20 on bonuses."
[92] *Guardian Unlimited* (December 10, 2009), "France and Germany back UK bonus tax."

11, 2009, *Guardian Unlimited*)

France is considering following Britain's lead and taxing bank bonuses for 2009. French government sources said officials were examining the technical details of a levy. "We're still working on the ways and means … The British have set a level of 50%. We need to do technical work to see what the impact would be. It's too early to say it would be such-and-such a percent," an official said. "In any case, it shouldn't be much of a surprise. [Sarkozy] said in his speech on August 25 that all G20 countries should implement a policy on bonuses. This is part of that."[93] (December 10, 2009, *Reuters News*)

Canadian bankers are set to receive large bonuses. Special compensation at Canada's six largest banks will reach an estimated C$8.3 billion for fiscal 2009, an increase of 18% from 2008 and approximately 4% from 2007. The higher pay comes as other countries are trying to restrict compensation in the financial sector. One reason for the pay increase is the strong performance of the banks' corporate, investment banking and trading divisions, which benefited from a major rally in the equity and credit markets. Each of the major Canadian banks has changed the way it pays investment bankers in the wake of the credit crisis, shifting toward more deferred compensation and introducing new tools such as clawbacks that give employers the right to reclaim a bonus in the case of a loss because of something the employee did. Regulators and the G20 have asked banks around the world to ensure that their pay schemes do not encourage employees to take on too much risk. And regulators have said that their concern lies in the methods used to determine bonuses, not the amounts. Bank executives said they have not felt pressure from the federal government to keep bonuses at a certain level, but they acknowledged that there is global pressure not to hand out massive cheques.[94] (December 10, 2009¸ *Globe and Mail*)

Bank profits will become distorted and harder to scrutinize and compare as a result of the G20 changes to banker remuneration, according to analysts and accountants. Analysts at Credit Suisse published a note highlighting the "potential accounting confusion" arising from moves to defer about half of bankers' bonuses following the September decision by the G20 countries to order a global shift in pay structures. The changes are expected to be implemented in some countries, notably the UK, by the end of 2009. The key G20 policy is that 40-60% of variable pay should be deferred for at least three years. France, Switzerland and the Netherlands are adopting pay standards that in some respects are stricter than the G20 recommendations. All the moves come in response to the financial crisis and fears that excessive rewards upfront, for doing risky long-term business, contributed to bank blow-ups. However, experts now warn that the way the new bonus packages are structured could lead to huge disparities between banks and the way they account for staff compensation, under IFRS2, the international accounting standard governing the issue. The IASB said there was little scope for confusion, or an uneven playing field. Only if there was doubt whether an employee would get a bonus in future should the accounting treatment be deferred. Banks would be obliged to account for total compensation costs upfront — as at present — unless a certain portion of pay could be

[93] *Reuters News* (December 10, 2009), "France considering tax on bank bonuses-sources."
[94] *Globe and Mail* (December 10, 2009), "Bankers to reap record bonus haul."

clawed back, either because an employee leaves the bank or because it is subject to a claw-back provision.[95] (November 12, 2009, *Financial Times*)

Eleven major foreign investment banks operating in London have agreed to implement G20 rules on remuneration. "We secured very amicably and constructively (an) agreement with them," British treasury minister Paul Myners said. "They will fully enforce the G20 agreement on remuneration with effect from current year — it is a major step forward." He said it represents recognition by banks that they should show restraint at a time when the financial industry is being supported by taxpayers and the government. The deal follows an announcement last month that major UK banks would sign up to pay agreements made at the G20 summit in Pittsburgh in September.[96] (October 14, 2009, *Reuters News*)

### *Levies on Banks*

**Germany and France are joining forces to push for tougher financial regulations, including a global bank tax, at the June 26-27 G20 summit. After a meeting in Berlin, German chancellor Angela Merkel and French president Nicolas Sarkozy said they were going to write a letter to Canadian prime minister Harper detailing the joint Franco-German position for the G20 meeting, including a call for a broad levy on banks and a tax on financial transactions. "We aren't satisfied yet with what has been accomplished since the first G20 meeting, and we agree that regulations must be enacted more swiftly." Merkel said. "More than before, Germany and France are determined to speak with one voice," Sarkozy said.[97] (June 15, 2010, *Globe and Mail*)**

Brazil, Russia, India and China oppose the U.S. and EU supported bank tax. "BRIC nations (Brazil, Russia, India and China) do not feel the need of a special levy on banks or bank tax. The unanimous view was that the financial regulatory structure in their economies is very robust and their financial structures did not in any way contribute to the financial crisis," India's finance secretary Ashok Chawla said after the G20 finance ministers meeting on June 4-5.[98] (June 6, 2010, *The Economic Times*)

The proposed introduction of a bank levy and possible ways to control cross-border capital flows will top the agenda at the June G20 finance ministers meetings. "I expect the bank levy issue to be discussed as an important agenda," Korean finance minister Yoon said.[99] (June 1, 2010, *Reuters News*)

Canada is providing more details to the G20 about its proposed alternative to a global bank tax, an idea that is gaining "some support" among major economies, Canadian finance minister Jim Flaherty said. However, Flaherty acknowledged there is unlikely to

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[95] *Financial Times* (November 12, 2009), "Rules on bankers' pay will 'distort profits.'"
[96] *Reuters News* (October 14, 2009), "Eleven major investment banks agree G20 pay rules – UK minister."
[97] *Globe and Mail* (June 15, 2010), "German and France to Push for Bank Tax."
[98] *Economic Times* (June 6, 2010), "BRIC countries oppose bank tax."
[99] *Reuters News* (June 1, 2010), "G20 to discuss bank levy, capital controls – S.Korea."

be any consensus on proposed changes to global banking rules at the upcoming G20 summit in Toronto next month. Any agreement won't likely happen until the leaders reconvene in Korea in November. Meanwhile, in yet another wrinkle in the path toward global financial reform, a member of European Central Bank's governing council suggested G20 economies might want to drop efforts that seek to stop banks from defaulting. "It is neither possible nor desirable to prevent the collapse of individual financial institutions," Axel Weber, head of the Deutsche Bundesbank, said. Flaherty, said "some" G20 countries are warming up to Canada's alternative to a global bank tax, which is called embedded capital and would see financial institutions insure themselves against failure by issuing debt that could be converted into equity. "We are detailing that proposal now in further correspondence to my G20 colleagues," Flaherty said. "We think this is the way to go." Further details regarding embedded capital are expected as early as the Toronto Summit, as are other proposals the IMF is working on. Flaherty said widespread opposition to the initial levy proposed by the IMF remains intact. "The bank tax is not going to gain the kind of universal support that perhaps some [countries] thought it would obtain." He added the bank tax debate had become a "distraction" to the main issue regarding financial reform, which is the quality and quantity of capital that banks hold on their balance sheets; and a cap on leverage. "We need to get focused on that issue and get it right," Flaherty said.[100] (May 18, 2010, *Canwest News Service*)

The IMF still favours either a form of international deposit insurance levy or a tax on financial institutions' profits and remuneration as ways of preventing a repeat of the financial crisis. The IMF was asked to prepare additional proposals for the Toronto G20 Summit on how to make banks more accountable for their bailouts. To allay concerns that a global bank tax might punish banks that performed well during the global crisis, the G20 told the IMF to consider "individual countries' circumstances." The IMF has said the deposit insurance option could be a simple levy on a selected set of balance sheet variables, but could be fine-tuned to weigh more heavily on firms that pose larger systemic risk. The IMF does not like the idea of a financial transaction tax. Instead, they still favour the two methods that they proposed in April: a levy "similar to deposit insurance to insure the liabilities that are not covered at the moment," and financial activity tax, "which would be a tax on profits and remuneration in the financial sector."[101] (May 17, 2010, *Reuters News*)

The G20 should hold off from imposing a global levy on banks, the head of the BCBS said. Nout Wellink, who is also head of the Dutch central bank, said plans for a global tax on banks are "premature" and should be postponed until the Basel Committee finishes its new proposals on how to improve the liquidity and capital adequacy of the banking system. "I'm not against it by definition, but I think it's premature," Wellink said. "I doubt whether this is a good idea … It's born out of frustration. There are strong political motives behind it." Wellink acknowledged that the committee faces "headwinds," such as resistance from a banking sector that fears new regulation will crimp its profitability. He signaled that the committee might be prepared to make some concessions to the banks

[100] *Canwest News Service* (May 18, 2010), "Canadian alternative to global bank tax gaining support: Flaherty."
[101] *Reuters News* (May 17, 2010), "IMF still prefers its two ideas for global bank tax."

regarding its proposals on how to calculate capital in future, but said the committee was unlikely to soften its demands for higher capital requirements for trading books, where banks speculate with their own money.[102] (May 4, 2010, *Dow Jones International News*)

Americans and Europeans failed to convince their G20 finance minister and central bank counterparts to approve of a financial sector tax aimed at reimbursing bail-outs of banks that sparked the global economic crisis when they met in April. In their statement, the G20 called on the IMF to continue work on the issue ahead of the Toronto G20 Summit. The IMF presented finance ministers and central bankers with a report that proposed two taxes, one on each financial institution according to its level of assets, risky ones in particular, and another on profits and pay. IMF experts said that the taxes must be coherent among all G20 members to prevent banks from avoiding them by moving operations to countries where the levies were not applied. Canada leads in opposing the idea, refusing to impose a charge on institutions that made it through the financial crisis relatively unscathed. "Some countries are in favour of that, some countries quite clearly are not," said Canadian finance minister Jim Flaherty. He received backing from his Brazilian counterpart Guido Mantega, who said: "I would prefer to curb risk by demanding that banks maintain higher reserves … The crisis did not originate in our financial systems." Their arguments were opposed by four major countries that support a financial sector tax: Britain, France, Germany and the United States. "We explained to the Canadians that although the risk did not materialize this time, it could the next time around," French finance minister Christine Lagarde said. She stressed that "there was never any question of reaching an agreement today. We still need to examine the tax base, its rate and its target," but she also acknowledged that "the countries are not all on the same wavelength." The IMF must now come up with a compromise to its innovative plan for what has been dubbed a "Financial Activities Tax" (FAT). U.S. Treasury Secretary Timothy Geithner added that "it's a basic sense of fairness that we adopt that basic framework."[103] (April 23, 2010, *Agence France Presse*)

The IMF is expected to advise the G20 against setting up a global tax on financial transactions at its April meeting. An internal study prepared by IMF officials has concluded that it would be practically impossible to implement such a tax. Levies on the banking sector, on the other hand, would be a lot easier to implement. (April 8, 2010, *Dow Jones International News*)

The EU is considering placing an extra tax on banks that could raise approximately €50 billion annually, according to an EU report. Political support is building for a levy on financiers. In March, EU commissioner Jose Manuel Barroso pledged to ask world leaders to impose a special tax on banks to cover their wind-up costs in emergency situations. "Actions by the EU alone would be less effective but could be considered," wrote EU officials, "particularly if there are good reasons to expect that an EU role of global leadership would be followed by other key countries." The report went on to explain how a charge on bank leverage or borrowing, as well as risk taking could raise

[102] *Dow Jones International News* (May 4, 2010), "Basel Committee Head: G20 Should Hold Off On Bank Tax."
[103] *Agence France Presse* (April 23, 2010), "U.S., Europe struggle to impose bank tax plan."

between €13 billion and €50 billion, depending on the rate of tax imposed. "A levy on … the banking sector could raise an estimated annual €13 billion of revenues … when applying the rate of Sweden's Stability Fee to the entire banking sector, and more than €50 billion when applying the U.S. rate." Germany and the UK have indicated they support a levy. They want it to reflect the risk a bank poses to the financial system. The U.S. has also indicated it is keen on such a tax, but would like to use the money to pay for the current clean-up rather than holding onto it for future economic slumps.[104] (April 6, 2010, *Reuters News*)

Canada does not see an international consensus forming on the idea of imposing a global bank tax, Canadian finance minister Jim Flaherty said. Britain and Germany want a global "risk" tax on banks to avert the need for more taxpayer bailouts. "We will not impose a bank tax," Flaherty said. Canada had already made clear it opposes the idea. The Canadian position has exposed a rift within the G20 on the issue of imposing some form of levy on banks to pay for future bailouts. UK finance minister Alistair Darling sent a letter to G20 finance ministers saying that measures to safeguard the financial system against future crises must be globally coordinated and a bank tax should go directly into national budgets rather than into a stand-alone fund. The IMF had been given the task of analyzing various proposals for ensuring taxpayers were not burdened with the cost of bank failures. It will report its finding to the G20 at the end of April.[105] (March 31, 2010, *Reuters News*)

Reducing the amount of leverage financial institutions use will be more effective in averting future crises than banning certain forms of trading, Canadian finance minister Jim Flaherty said. "We know that some of the financial systems in G7 (Group of Seven) countries were excessively leveraged so we need to deal with that," Flaherty said. "We want to have leverage requirements -- those discussions are happening now -- and we also want to have transparency." Flaherty rejected the idea that a financial transaction tax would be useful. "Canada is …opposed to it. We're not in the business of raising taxes … We're in the business of lowering taxes and making Canada more attractive for investment so that's not something we would support." (March 15, 2010, *Reuters News*)

UK prime minister Gordon Brown has set out a four-point plan to reach an agreement on a global bank levy. Brown said a levy was needed to create "a new relationship between banks and society." Brown believes there is growing international support for a tax that diverts money from banks to governments. He suggests that national governments should be free to decide how to use the funds raised by the measure, whether to set up an insurance fund against future bank failure, to repay interventions, such as in the U.S., or to cut public debt. "Based on these four principles, we now need to work actively in the G20 to forge an internationally consistent report." (March 11, 2010, *Financial Times Asia*)

"Canada is going to oppose any tax on financial transactions," said a government source. "The government wants it known that a deal on a bank tax isn't going to happen." At the

[104] *Reuters News* (April 6, 2010), "EU could get 50 bln euros from bank levy-report."
[105] *Reuters News* (March 31, 2010), "Canada sees no consensus on global bank tax."

World Economic Forum in Davos in January, Canadian prime minister Stephen Harper denounced "excessive" and "arbitrary" proposals from countries, such as Britain and France, to regulate the financial services industry in the aftermath of the global financial crisis. Among the proposals he referred to was a levy on financial transactions, designed to make banks pay for the bailouts governments posted in 2008 and 2009. Unilaterally, U.S. president Barack Obama proposed a levy on banks with assets of higher than US$50 billion and UK prime minister Gordon Brown taxed bonuses earned by London's top bankers. In February, Brown said that he envisaged a G20 deal on a bank tax at the Toronto Summit. He observed that backing for a global bank tax had gained momentum after Obama introduced a similar levy. "People are now prepared to consider the best mechanism by which a levy could be raised … I'm interested in the way support is building up for international action." Brown proposed a global transaction tax at the G20 finance ministers meeting in Scotland last November, only to draw stiff opposition.[106] (February 18, 2010, *Canwest News Service*)

British prime minister Gordon Brown said the world's top economies were close to agreeing to an international levy on banks and that a deal could be thrashed out at the G20 summit in June. "People are now prepared to consider the best mechanism by which a levy could be raised," said Brown, who put forward an idea of a global transactions tax at a G20 finance ministerial in Scotland in November. "I'm interested in the way support is building up for international action." At a G7 meeting in February, finance ministers and central bankers called for closer study of a UK proposal for a bank levy. The IMF is compiling a report, due in April, on options for requiring banks to "make a fair and substantial contribution" toward bailouts.[107] (February 10, 2010, *Reuters News*)

Swedish finance minister Anders Borg proposed to his EU colleagues a levy on banks similar to the one being discussed by the U.S. administration. "The financial system should pay for the actual cost it incurs to society and the taxpayers in the form of implicit state guarantees for systemically important banks," Borg wrote in a letter to Spanish finance minister Elena Salgado. "A fee paid by financial institutions would help in our efforts towards budget consolidation, but also increase the legitimacy of our measures towards the financial sector in the public's opinion." Several EU countries, including the UK, Germany and Spain, initially said they were not considering a similar levy on banks. UK government officials say they expect to recoup money from rescued banks when the state sells its shares. But Borg's proposal received slightly more support than initially was thought. Belgian finance minister Didier Reynders told his colleagues that countries should consider "various ways of making banks contribute to balanced budgets." Borg also argued that taxing liabilities is more efficient than taxing transactions. "As transactions or turnover are not penalized it does not hurt liquidity, an essential feature of any market … Levying a transaction fee would penalize both consumers and non-financial companies trying to execute payments and reduce their risk."[108] (January 19, 2010, *Wall Street Journal*)

[106] *Canwest News Service* (February 18, 2010), "Canada to oppose global bank tax."
[107] *Reuters News* (February 10, 2010), "UK's Brown says global bank tax gaining ground – FT."
[108] *Wall Street Journal* (January 19, 2010), "Sweden calls for EU to Apply U.S.-Style Levy on Banks."

Germany has no plans to impose a special levy on banks to pay for costs that resulted from the financial crisis. The announcement was made after U.S. president Barack Obama announced a plan to impose a new tax on large financial firms. The UK has also outlined similar national measures. "The government has currently no plans for such a special levy," said Michael Offer, a finance ministry spokesperson. International coordination on this issue is needed to prevent the possible evasion of such a levy. Offer said the G20 was a good forum for such cooperation. "We want our money back and we're going to get it," Obama said about why he decided to impose the levy. The tax, which the White House calls a "financial crisis responsibility fee," is expected to raise approximately $90 billion over the next 10 years. German government spokesman Christoph Steegmans said Germany has always made it clear that financial market participants should help pay for clearing up the financial crisis. "But for this to work, all measures need to be coordinated well internationally." Offer said they should wait until more international discussions have taken place and an IMF investigation, to be finalized by the end of April, has been issued. "Of course, we want all possible options to be included in international discussions." An international G20 solution won't rule out "supplementary national solutions," he said, adding that German finance minister Wolfgang Schaeuble has said if there is no international solution then a European solution is also an option. "This would be the second step, but first of all we will focus on the larger process."[109] (January 15, 2010, *Dow Jones International News*)

The IMF is conducting a wide-ranging study of financial sector taxation with the intent of presenting an initial analysis to the G20 finance ministers in April 2010. For the review, the IMF hopes to obtain external stakeholders' views on the potential usefulness and impact of various approaches to financial sector taxation.[110] (December 28, 2009, *All Africa*)

At the request of the G20, the IMF is studying possible ways to impose a levy on banks, including taxes on profits, assets and financial transactions. But IMF chief economist Olivier Blanchard stressed that any levy should not hinder a recovery in lending by financial institutions. Some possible levies could recoup part of the billions of dollars of taxpayers' money put into banks to prevent failure during the global financial crisis. "We are working on many options and these include a Tobin-like tax on transactions and taxes looking at the past to see if there is any way of getting the money back: taxes on past profits or taxes on assets," said Blanchard. However, IMF managing director Dominique Strauss-Kahn said a so-called Tobin tax on financial transactions risked being unworkable. The IMF is also looking at the possibility of levying insurance fees on banks that could be used to build up funds that would conduct future bank rescues, relieving taxpayers of the burden. "Then there is the much more important question of how do we do it in the future. Basically, taxing firms for the risk they impose: some form of 'insurance premia'," Blanchard said. "Whether we call these insurance premia or taxes is only a matter of semantics." The IMF is due to present its first report on bank levies to the G20 in April. A lack of consensus among governments on how to structure and apply

[109] *Dow Jones International News* (January 15, 2010), "German Govt Currently Doesn't Plan Special Bank Levy."
[110] *All Africa* (December 28, 2009), "IMF Upgrades Income Estimates for Fy2010."

taxes may still prevent the G20 from adopting any levy.[111] (November 13, 2009, *Reuters News*)

### *Currencies and Exchange Rates*

**IMF managing director Dominique Strauss-Kahn said China's decision to reform its exchange rate mechanism was a "very welcomed" move that would help Chinese households and consumers. Amid growing pressure on Beijing to strengthen its currency, China's central bank said it would further promote reform of its exchange rate mechanism, but maintained there was no basis for "large swings" in the currency. "The People's Bank of China announcement to increase exchange rate flexibility and return to the managed floating exchange rate regime in place prior to the global financial crisis is a very welcomed development," Strauss-Kahn said. "A stronger renminbi is in line with findings of the G20 Mutual Assessment Process, to be presented in Toronto next week, and will help increase Chinese household income and provide the incentives necessary to reorient investment toward industries that serve the Chinese consumer." A study being carried out by the IMF at the request of China has shown that the Chinese financial system would face "fairly strong pressures in the months and years to come." The currency has been allowed to move within a 0.5% range on either side of the peg.[112] (June 19, 2010, *Agence France Presse*)**

**The Republic of Korea announced that it was going to tighten regulations on foreign exchange transactions to stabilize its volatile finances. The new measures were set to take effect in July, and are the latest in Korea's effort to regulate foreign capital flows and the fluctuating won. The finance ministry said it would limit Korean financial institutions' forward currency positions to 50% of their equity capital and that of foreign banks operating to 250%. Korean banks can now take almost limitless positions in the forward market if they take offsetting positions in spot. Volatile forwards, or contracts where traders can buy or sell currencies at a future date, are often blamed for destabilising the market. The ministry said forward positions of the foreign banks in Korea averaged around 300% as of April 30. Huge positions in the forward market could make the won even more susceptible to big swings as banks or firms adjust their exposure during the periods of volatility. "The past two financial crises highlighted the need for dealing with volatile capital flows," the ministry said. "Such high volatility is due to Korea's heavy dependence on foreign trade and its open and liberalised capital market." The ministry said it would give a three-month grace period for banks to abide by the new rule, adding that banks would be allowed to carry their current positions exceeding the new ceiling for up to two years. The new measures included tightening the regulations on the use of bank loans in foreign currency for domestic purposes. "Building up global**

[111] *Reuters News* (November 13, 2009), "IMF studies range of possible levies on banks."
[112] *Agence France Presse* (June 19, 2010), "IMF chief hails China's exchange rate move."

**financial safety nets will be pursued as the Korea Initiative at the Seoul G20 summit."[113] (June 13, 2010, *Agence France Presse*)**

Canada, the U.S. and others have moved away from demanding that China take a new position on the yuan. Instead, they are now putting the demands in a more positive light. Canada, for example, now highlights the currency request as a win-win proposition: continued Chinese infrastructure and program spending, coupled with a rise in the yuan, will allow China to boost the purchasing power of its own citizens while helping the global economy at a time of broad-based government cuts.[114] (June 1, 2010, *Globe and Mail*)

Japan's finance minister has hinted that the government may try and prevent any further rises in the yen. "Markets in principle should determine foreign exchange rates, but I think we must closely watch (markets) and ensure that there won't be any excessive yen rises," Naoto Kan said. Japan's economy "is moving in the direction of recovery, but at the same time the euro's weakness is accelerating," Kan said. "In general, it is desirable for exchange rates to stay stable at levels appropriate in terms of international trade, and it is undesirable for them to sharply stray from those levels."[115] (May 21, 2010, *Dow Jones Newswire*)

"We agree that there should be more flexibility in those Asian currencies that are not flexible," Canadian finance minister Jim Flaherty said in response to a question on whether Canada would prefer that the yuan be flexible. "The Canadian dollar is a market currency and we found that works well. This is an issue with respect to the flexibility of currencies that comes up repeatedly at our international meetings and it is all the more important now because of the need for a strong, sustainable growth framework for the world, so I expect that it will be discussed in June."[116] (May 18, 2010, *Reuters News*)

France and China pledged to work together to consider an overhaul of the global monetary system within the G20 at a bilateral meeting at the end of April. President Sarkozy said the two countries would consider a "new multipolar monetary order," as France prepares to preside over the G20 in 2011.[117] (April 28, 2010, *Agence France Presse*)

Concerns over China's exchange-rate policy were absent from public statements that world financial leaders released after weekend meetings in Washington in April. But officials from several countries used did encourage Beijing to move towards a revaluation of the yuan, a move that analysts see as increasingly likely before the end of this quarter. In voicing their concern that an undervalued yuan creates distortions in world trade and financial flows, officials opted for diplomatically polite language. U.S. treasury secretary

[113] *Agence France Presse* (June 13, 2010), "S.Korea tightens rules on foreign currency."
[114] *Globe and Mail* (June 1, 2010), "Flaherty to recalibrate currency pitch to China; Instead of criticizing country's reluctance to let yuan float, Minister will emphasize mutual benefits."
[115] *Dow Jones Newswire* (May 21, 2010), "Japan Finance Minister Hint At Action Pushes Yen Down."
[116] *Reuters News* (May 18, 2010), "Canada finmin says favours flexible Asian currencies."
[117] *Agence France Presse* (April 28, 2010), "France, China to consider new monetary system within G20: Sarkozy."

Timothy Geithner said currency reform is "China's choice" and that he believes it "will decide it's in their interest." Later, in a presentation to the oversight board of the IMF, Geithner urged large emerging economies to "return to market-oriented exchange rates, where appropriate" without specifically naming China. Brazilian central bank governor Henrique Meirelles said adjustments to "exchange-rate regimes are part of the overall question" of rebalancing the world economy. It is just one part of the mechanism through which current-account surplus countries like China become more dependent on domestically led growth while consumption-heavy countries like the U.S. can increase their savings, he said. Officials at the People's Bank of China are believed to be in favor of letting the yuan rise against the dollar, because it would complement other monetary-tightening measures aimed at calming inflationary pressures and curtailing bubbles in China's real estate market. The challenges officials face, according to analysts, are both political and technical. On the one hand, they face opposition from other factions within the government—notably, from the Commerce Ministry—who want to keep the yuan-dollar peg in place to the benefit of China's export-oriented industrial establishment. On the other, there is the complicated task of timing and communicating a yuan revaluation. A gradual increase would meet China's preference for incremental changes and minimize the economic shock, but it might backfire, encouraging yet more speculative investment from people seeking to profit from a guaranteed exchange gain over time. As such, any future announcement on the timing, size and mechanism for a revaluation is expected to be deliberately ambiguous.[118] (April 26, 2010, *The Wall Street Journal*)

Some countries in the G20, including European states, think the estimated €45 billion plan to help Greece is insufficient, Canadian finance minister Jim Flaherty said at the end of April. "In some of the G20 countries, including some of the European countries, there is concern about making sure that the package is enough so that it's a one-time event." Separately, Flaherty said he thinks it is increasingly likely China will revalue its currency as the global economy recovers. "I think it's becoming again more likely than it was before, because we are starting to emerge from a crisis situation."[119] (April 24, 2010, *Dow Jones Capital Markets Report*)

The G20 finance ministers are unlikely to discuss the Chinese yuan at their upcoming meetings, according to Russia. "This question is unlikely to be discussed at the G20, because the Chinese simply will not allow it," Andrei Bokarev, Russia's deputy sherpa and a finance ministry official said. "If there is a financial G7 then that is their right (to discuss China)," he added.[120] (April 8, 2010, *Reuters News*)

Bank of Canada governor Mark Carney said it is critical for China to allow its currency to appreciate. Many countries have been pressuring China to allow the yuan to appreciate, but China sees the low value of its currency as critical to expanding its exports. Carney

[118] *The Wall Street Journal* (April 26, 2010), "Nations Use Diplomacy to Press China on Revaluing Yuan."
[119] *Dow Jones Capital Markets Report* (April 24, 2010), "Canada Fin Min: G20 Fears Current Greek Aid Plan Insufficient."
[120] *Reuters News* (April 8, 2010), "Russia delegate sees no yuan talks by G20 finmins."

said fixing global imbalances is key to a robust global economic recovery.[121] (March 24, 2010, *Canadian Press*)

The G20 will not shy away from discussing the growing concern over China's currency, said Canadian finance minister Jim Flaherty. There are signs that some members of the G20 would prefer to sideline the currency debate in light of the war of words playing out between China and the United States. Some in the U.S. congress are urging the Obama administration to declare China a currency manipulator and impose duties on Chinese imports, and several countries have pressed China to allow the yuan to appreciate. The fact that China has not allowed its currency to fluctuate throughout the global recession has led to criticism that China is giving itself an unfair trade advantage. China is pushing back hard, dismissing American criticism and insisting the main threat to economic recovery is protectionism. Flaherty said the key to broaching the subject is to discuss currency issues as well as protectionism. "The discussions I've had of late … have included discussions of currency issues. We have some significant global imbalances. There's no point in sweeping important issues under the rug. We haven't at previous meetings and we've been doing this for more than four years. So I expect that it will be a topic of discussion," said Flaherty. Flaherty said China's concerns must also be addressed. "I think there's a give and take that has to happen here," he said. "There has to be a continued, persistent fight against protectionism, for example, among those countries who are inclined to take protectionist acts. That's always a concern to a major exporter like China. So when we talk about currency, we also have to talk about protectionist issues, that we don't retreat into a protectionist shell. Certainly Canada is not going there. We're in favour of free trade. We're getting rid of tariffs."[122] (March 23, 2010, *Globe and Mail*)

A top Chinese diplomat dismissed the recent U.S. calls for duties on Chinese exports if China did not revalue the yuan, saying the calls were ill-founded. "I don't think the call by over 100 congressmen from the U.S. is well founded on facts. They should not blame the problems they have by finding a scapegoat in China," He Yafei, China's new ambassador to the United Nations in Geneva (and previously China's G20 sherpa) said. Lawmakers introduced a bill in the U.S. senate that would penalize some Chinese goods with extra duties if China did not allow the yuan to rise. He said a realignment of exchange rates would not solve trade problems, and China was a robust market for other countries' goods. "If the [yuan] is the real issue nobody can figure out why we can have such a rosy picture for exports from major developing economies."[123] (March 17, 2010, *Reuters News*)

French president Nicolas Sarkozy will propose an overhaul of the global monetary system by the end of the year, to stave off the loss of industrial competitiveness coming from foreign exchange imbalances. "If the U.S. dollar loses 50% of its value to the euro,

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[121] *Canadian Press* (March 24, 2010), "Bank of Canada governor calls on China to let yuan currency appreciate."
[122] *Globe and Mail* (March 23, 2010), "G20 to discuss China's yuan, Jim Flaherty says; Forum won't shy away from growing debt over currency, finance minister tells reporters."
[123] *Reuters News* (March 17, 2010), "Senior Chinese diplomat rejects currency move."

how can it be possible to make up the loss of competitiveness? … At the G20 by the end of the year, I will try to organize a new international monetary system. We can't go on like this." Despite a recent fall in the value of the euro, France is persisting in talking hard on currencies. In January, Sarkozy called on the G20 to turn its focus to monetary and foreign exchange imbalances, having concentrated its efforts on pumping billions into the economies to stave off the global recession. He said that the monetary disorder had become "unacceptable." Finance minister Christine Lagarde said foreign exchange volatility is causing great damage to European industry, and that going back to stable foreign-exchange rates is imperative. "What is unbearable for industries in France and elsewhere in Europe is a very high volatility in very short time spans … We can't continue to make the economy work with so much volatility, we must imperatively bring stability back."[124] (March 4, 2010, *Dow Jones International News*)

The Republic of Korea is pushing the G20 to support a system of international currency swaps in an effort to reduce global imbalances by lessening the need for countries to accumulate reserves. "The idea is to take that swap system and make it global," said Shin Hyun-song, the Korean president's senior advisor on international economy. "Bilateral swaps are very effective but they are negotiated individually at that moment. They are prisoners to circumstances." Korean officials say their proposal, which has been discussed informally with some G20 members, is only one element of an improved back-up system aimed at encouraging nations to boost domestic demand and reduce their reliance on exports. Given the haphazard nature of negotiating swaps, the Republic of Korea has preferred to take refuge behind large foreign exchange reserves. Shin conceded that there were obstacles to globalizing swaps. He said the G20 would have to settle issues of moral hazard and the potential role of the IMF. Asian countries have already set up the Chiang Mai Initiative to arrange currency swaps regionally. British and Japanese officials said the Korean proposal deserved a sympathetic hearing. But they warned that the U.S. might oppose the suggestion if there was no strong role for the IMF. They added that Washington would be unlikely to support any mechanism that put excessive demands on the U.S. Federal Reserve.[125] (March 2, 2010, *Financial Times London*)

The use of the IMF's special drawing rights (SDR) is "remote in any reasonable time horizon partly because of the governing structure of the IMF, partly because it doesn't solve the reserve and adjustment problem in our opinion," according to Mark Carney, governor of the Bank of Canada. Duvvuri Subbarao, governor of the Reserve Bank of India, called the plan a "tall order." The use of SDRs will distribute "exorbitant privilege" to those who hold them, said Reserve Bank of Australia governor Glenn Stevens, adding that "there may be some use of exploring a substitution account as a one-off reserve diversification mechanism but that would be part of a broader move towards a more flexible global system." Stevens called it a "medium-term conversation." The SDR is currently only a unit of account and the IMF cannot be held accountable for it, Subbarao said. "The dollar is a dominant currency and I don't think we will decide in a conference of G20 or the IMF that we will have some other currency, he said. "If some other

[124] *Dow Jones International News* (March 4, 2010), "Sarkozy: Need Forex Overhaul To Solve Industry Problems."
[125] *Financial Times London* (March 2, 2010), "Seoul looks for currency swaps policy."

currency or a group of currencies have to replace the dollar, then that has to happen in an organic manner."[126] (February 14, 2010, *Dow Jones Chinese Financial Wire*)

France wants to use its presidency of the G20 in 2011 to create a new international monetary system. French president Nicolas Sarkozy also said that he believed the dollar should no longer be the primary reserve currency in the global economy. In a thinly veiled reference to China keeping its currency at an undervalued level, he said: "We cannot on the one hand laud free markets and on the other tolerate monetary dumping."[127] (January 28, 2010, *New York Times*)

Global real exchange rates need to change to reduce trade imbalances, or the world risks a repeat of the recent financial crisis, said Bank of England governor Mervyn King. He said that countries' trade surpluses and deficits were starting to rise again as the world economy recovered from the financial crisis, increasing potentially damaging flows of capital to importers from exporters such as China. This made it more urgent than ever for there to be effective global economic cooperation. "If countries do not work together to reduce the 'too high to last' imbalances, a crisis of one sort or another in financial markets is only too likely." King noted that Britain would have to shift its economic activity towards exports and away from consumption as it recovered from its deepest recession in over 50 years, but said exporting countries needed to boost domestic demand to fill the gap left by U.S. and British consumers. "At present there is no political mechanism for achieving that consistency. Finding such a mechanism is urgent. Having narrowed somewhat at the height of the crisis, the imbalances are now widening again," King said.[128] (January 19, 2010, *Reuters News*)

Canada is calling for more movement in some Asian currencies and said it expects to discuss currency disorder in G7, G8 and G20 meetings that it will host and chair this year. Answering France's call to confront instability in the foreign exchange markets, finance minister Jim Flaherty said: "Yes, I expect that this will be a topic of discussion at G7, G8, G20 meetings … This is an issue certainly that I've been dealing with for four years now … There was more movement in some of the Asian currencies before the economic crisis, less movement during the economic crisis. Ultimately, we'd like to see more movement."[129] (January 11, 2010, *Reuters News*)

France has called on the G20 to focus on monetary and foreign exchange imbalances. President Nicolas Sarkozy said making global foreign exchange markets reflect the fundamentals of the world's economies better will be a priority when France takes over the presidency of the G20 and G8 in 2011. "The monetary disorder has became unacceptable … When Bretton Woods institutions were set up, there was one main economy — that of the U.S. — and one main currency. Today, in the 21st century, that is no longer the case." France's call to end the supremacy of the dollar has been echoed by

[126] *Dow Jones Chinese Financial Wire* (February 14, 2010), "Central Bankers: Use of IMF's Drawing Rights As Reserve Unit Remote."
[127] *New York Times* (January 28, 2010), "Sarkozy Calls for Global Monetary System, Without Dollar as Top Reserve Currency."
[128] *Reuters News* (January 19, 2010), "BoE's King: must act on global imbalances to avoid new crisis."
[129] *Reuters News* (January 11, 2010), "Canada expects to discuss currencies at G7, G20."

several large emerging countries, China first among them. But France and China differ on how to achieve a multi-polar currency system. French officials have repeatedly asked China to let the yuan float more freely and appreciate, so that Europe's single currency is not alone in bearing the brunt of global imbalances. "In the coming years we need to find solutions to sort out these imbalances … which have led us to the financial crisis," French finance minister Christine Lagarde said. "First of all balance of payment imbalances and then foreign-exchange ones, to which we haven't yet proposed remedies that are acceptable to everyone." Other EU countries agree with France. Portuguese prime minister Jose Socrates said that deeper economic cooperation within the EU was required to tackle global monetary imbalances. "Sarkozy is right when he says that we must do more on a European level" to end the global monetary disorder, he said. Japan's new finance minister, Naoto Kan, said that he wants the Japanese currency to weaken a bit more and that he would cooperate with the central bank to guide the yen exchange rate to "appropriate" levels.[130] (January 7, 2010, *Dow Jones International News*)

Economic debate at the global level must focus on the gulf between the euro and the dollar, French president Nicolas Sarkozy said. Alluding to recent calls to revamp the global monetary system to reduce the dominant role of the dollar, Sarkozy said that disparities between the two currencies posed a "considerable problem." The prospect that companies might consider relocating some of their industrial activity to regions reliant on the dollar could not be ruled out, he said. "I will bring up this problem of monetary disparities all through the year … If you're producing in the euro zone and selling in the dollar zone, with a dollar that's falling and a euro that's rising, how are you supposed to make up for this deficit in competitiveness?" This question needed to sit "at the centre of international debates," he said. Sarkozy may propose "a new international monetary organisation which better reflects today's world" to the G20 in 2011, when France holds the G20 presidency.[131] (January 6, 2010, *Reuters News*)

China is not giving in to foreign demands for its currency to strengthen. Chinese premier Wen Jiabao said some of the demands for China to appreciate its currency was an effort to contain the country's development. "We will not yield to any pressure of any form forcing us to appreciate. As I have told my foreign friends: on the one hand, you are asking for the renminbi to appreciate; and on the other hand, you are taking all kinds of protectionist measures." By keeping the renminbi stable against the U.S. dollar, China was contributing to the global economy's recovery, he said. "The purpose [of these calls for appreciation] is to hold back China's development," he added. Demands for China to appreciate its currency to help rebalance the global economy have come from the U.S., European Union and developing nations such as Brazil and Russia.[132] (December 28, 2009, *Financial Times Asia*)

China has signalled that it will allow its currency to appreciate against the U.S. dollar. The move to allow the yuan to rise against the greenback would provide much-needed

[130] *Dow Jones International News* (January 7, 2010), "France Tells G20 To Switch Focus To Currency Misalignments."
[131] *Reuters News* (January 6, 2010), "Sarkozy says FX issue must be focus of global debate."
[132] *Financial Times Asia* (December 28, 2009), "Beijing dismisses currency pressure."

relief to countries trying to compete against Chinese exports and put further downward pressure on an already battered U.S. dollar. Chinas latest quarterly monetary policy report said its foreign exchange policy will now consider "capital flows and changes in major currencies," indicating China will carefully expose the yuan's value to fluctuations in global markets. The rise in the yuan is expected to be gradual and is not likely to occur until 2010.[133] (November 11, 2009, *Globe and Mail*)

The G20 finance ministers and central bankers meeting on November 6-7 will discuss foreign exchange rates and the perils of designating some banks as "too big to fail," Canadian finance minister Jim Flaherty said. "We usually have some discussion about the currencies in the world, the downward pressure on the U.S. dollar, the relative inflexibility of some of the Asian currencies, so I expect it's going to come up." Other sources in the G20 have said that foreign exchange rates were not expected to be a major topic at the meeting, but said the issue may be discussed in relation to rebalancing the world economy.[134] (November 2, 2009, *Reuters News*)

The dollar is unlikely to be a major topic at the November meeting of G20 finance ministers. The dollar has sunk to its lowest levels in comparison to the euro in over a year and has also fallen versus most other currencies, including the ruble, over the past two months. This has prompted some concerns that export competitiveness could be hurt, potentially threatening a fragile economic recovery from the recession. "There are no plans [to discuss dollar weakness]," the a source said. "I am not at all sure the Americans would be ready to discuss this topic in this format. So far the only format in which they are ready to discuss it is the G7."[135] (October 30, 2009, *Reuters News*)

France said the euro was a disaster for Europe and joined China in worrying that the weak U.S. currency would stoke inflation. The latest comments from officials and companies around the world added to the debate about imbalances between currencies that is likely to continue at the meeting of G20 finance ministers and central bankers in Scotland in November. France has been pushing for an international exchange rate discussion and has led European complaints about the euro. He said at some point the euro's strength against the U.S. currency would become unbearable and Europe would have to react, most likely by printing euros that would also lead to inflation. France was disappointed that G20 leaders discussed world economic imbalances without touching on currencies when they met in Pittsburgh in September. There are also growing signs that China is concerned about the domestic implications of the yuan. "In the circumstances of a falling U.S. dollar exchange rate, net capital inflows may intensify, adding to excessive liquidity pressure at home and increasing inflation risks," Ma Delun, a vice-governor of the People's Bank of China said. Within the euro zone, the impact of the dollar's weakness is a subject for debate although there is no general agreement over how big a problem it might be. Finnish finance minister Jyrki Katainen said the strong euro was a problem but others are less concerned. Spanish treasury secretary Carlos Ocana said the

[133] *Globe and Mail* (November 11, 2009), "China sets plan to let currency move higher; Under pressure from trading partners, Beijing signals new policy on yuan."
[134] *Reuters News* (November 2, 2009), "G20 to talk currencies, 'moral hazard' – Canada."
[135] *Reuters News* (October 30, 2009), "Russia does not see dollar debate at fin min G20."

euro was trading at normal levels. European Central Bank president Jean-Claude Trichet stuck to his line that excessive volatility in currency markets was bad for the economy and repeated his attachment to comments from U.S. officials supporting a strong dollar.[136] (October 20, 2009, *Reuters News*)

### *Hedge Funds*

EU finance ministers backed stricter controls for hedge funds and private equity groups. The draft rules will control pay and borrowing at hedge funds as well as forcing them to disclose extensive information to watchdogs about how they are investing or short-selling, breaking a taboo for the secretive industry. The regime, which puts hedge funds under the eye of a pan-European watchdog for the first time, is part of a wider set of pledges by world leaders to create a more stable financial system after the global economic crisis. "We are determined to accelerate the pace of regulation," German finance minister Wolfgang Schaeuble said. "Up until now this was not regulated… This hole will now be closed." Britain had fought hard to weaken the law and was still hoping to overturn a provision that refuses a single license for foreign funds to do business across Europe, something U.S. treasury secretary Timothy Geithner had also objected. But the UK's objections were overruled in a rare break with an unwritten rule of Brussels diplomacy that says no country should be bullied into accepting a law it does not want. British diplomats put a positive gloss on developments, described by hedge fund lobbyists as disappointing, saying they had reached the "best possible" outcome with a footnote to the ministers' statement that flagged their worries. Britain is worried the new law will drive its financial services elite back to other countries. But it is isolated. Only the Czech Republic backed it in opposing the approval of the new rules by the finance ministers.[137] (May 18, 2010, *Reuters News*)

European finance ministers failed to reach an agreement in mid March on strict new regulatory reforms that would have imposed new restrictions on American hedge funds doing business in Europe. The ministers were set to vote at a meeting in Brussels on new rules for hedge funds and other private equity firms, but they pulled the measure off their agenda after it became clear that the British remained opposed. British prime minister Gordon Brown personally intervened, voicing his opposition to Spanish prime minister Jose Zapatero whose government currently holds the EU's rotating presidency. U.S. treasury secretary Timothy Geithner also expressed dismay at the European proposal, calling it protectionist. Spanish officials said they would continue to seek a compromise, with an eye to bringing the measures back before the EU's finance ministers by June. "We want to reach agreement on the directive, but more detailed work is needed in the E.U. and G20 to make sure we have a shared global approach," British finance minister Alistair Darling said. The European proposal would force hedge funds to comply with governance standards and set new rules on liquidity and conflicts of interest. Non-

[136] *Reuters News* (October 20, 2009), "France, China worry about U.S. dollar weakness."
[137] *Reuters News* (May 18, 2010), "Britain cornered as EU backs hedge fund crackdown."

European funds could be barred from Europe if the standards in their home countries were not similarly strict.[138] (March 17, 2010, *Washington Post*)

Britain wants to discuss hedge fund regulation at the next G20 finance ministers' meeting, UK finance minister Alistair Darling said. "We want to reach agreement on the directive, but more detailed work is needed in the EU and G20 to make sure we have a shared global approach," Darling said. "Senior G20 officials are meeting this week, and we'll be discussing this at next month's meeting of G20 Finance Ministers in April. It is vital that we reach agreement on this important issue in the weeks and months ahead." (March 16, 2010, *Reuters News*)

The UK has said it is committed to reaching an agreement with the EU on regulating hedge funds but it wants to see further concessions. An official said that while Britain does not want hedge funds to be given a free ride by regulators, policymakers need to get the details right to avoid making Europe a less attractive place to do business. "We've made good progress with our EU partners in recent months, but there is still further scope for improvement," the official said. "We remain committed to finding a solution and are confident we can find one that meets our concerns together with those of our European partners." The U.S. has also voiced doubts about the EU's proposals but Britain has become increasingly isolated in Europe over the issue where many policymakers blame speculators and secretive funds for contributing to the financial system's woes. "We're clear there's no free pass for hedge funds, but we need to get the implementation right … We've worked to improve the directive a great deal, but we still have significant concerns about how its implementation could impact on EU competitiveness." The G20 pledged to regulate all systemically-important institutions, but hedge funds are currently dealt with by national regulators. "Our absolute priority is stronger regulation that supports EU competitiveness and delivers on the G20 agenda," the official said. (March 15, 2010, *Reuters News*)

EU officials are fighting back against criticism from U.S. treasury secretary Timothy Geithner who has accused them of pushing ahead with rules to regulate managers of hedge funds and other alternative investment funds that could be protectionist. EU spokespersons have said that the EU decision to act on hedge funds was in line with the G20 decision to reinforce transparency in the financial system. The EU has failed to come to an agreement on a compromise package for regulating hedge funds and private equity funds on a pan-EU basis. The latest setback comes after lengthy discussions that have now been under way for about six months. People involved in the discussions say a couple of issues remain particularly difficult. The biggest is the so-called "third country" issue - the access, and the terms on which this would be given, for alternative investment fund managers (AIFMs) from outside the EU to market to professional investors within the bloc. This was the issue that Geithner raised and which sparked fears of protectionism. The hedge fund rules will need approval from the European Parliament, as well as individual member states. (March 11, 2010, *Financial Times*)

[138] *The Washington Post* (March 17, 2010), "E.U. finance officials at impasse on global reform; No accord on proposed rules for hedge funds, private equity firms."

Europe is moving towards tighter regulation of hedge funds. The European Parliament and member states are coming up with their own responses to a European Commission proposal from April. The European Central Bank last month warned that EU plans to regulate hedge funds and private equity groups could tilt the playing field against EU companies. That followed an accusation by Britain's financial services minister that fellow EU partners were seeking to make "political capital" from the issue. This stance on hedge funds is being echoed by the EU's current Swedish presidency, which is trying to conclude a range of financial supervisory proposals before Spain takes over at the end of December. However, plans for supervision seem doomed, at least in their existing form, because of British opposition, particularly concerning watchdogs that the commission wants be introduced, to police banks, insurers and markets.[139] (November 25, 2009, *Agence France Presse*)

The EU is considering new regulations for hedge funds and others that include imposing tough borrowing limits. So far the industry has avoided any clampdown on pay despite an international consensus that remuneration for bankers should be controlled. Sweden plans to propose a law to European countries to restrict pay at hedge funds and other investment firms such as private equity. The Swedish plans follow a surprise announcement this week by financial services minister Mats Odell on pay rules for the funds referred to by one politician as locusts and that are known for making reverse bets on company stocks rising or falling. Although the funds did not play a central role in the global financial crisis, many politicians have long been suspicious of their activity, prompting the European Commission to draft rules to keep close tabs on them. There has been a general drive to clamp down on financial services. The G20 agreed to guidelines on banker pay drawn up by the Financial Stability Board, a global regulatory body. These lay down how remuneration should be structured and outline, for example, when a banker's bonus should be paid. The Alternative Investment Management Association, a hedge fund lobby, said it supported the G20 remuneration measures but cautioned against wider application of bank pay curbs. "Hedge fund managers earn their fees only if they are successful, that is if they increase the value of their clients' investments," AIMA executive director Florence Lombard said. "Much of the concern expressed on banking bonuses relates to the fact that many banks have been bailed out by governments. There is no single hedge fund in the world that has either been bailed out or received a handout."[140] (November 12, 2009, *Reuters News*)

### *Reform of the International Financial Institutions*

China's central bank governor called for the IMF to accelerate its process to shift its quota to emerging market and developing countries. "The quota structure is the core issue in Fund governance. The severe under-representation of emerging market and developing countries in the IMF seriously affects the Fund's legitimacy and effectiveness, and must be promptly corrected." In September, the G20 called for a shift of at least 5% points, and protection of the voting rights of the poorest countries before January 2011. But so far the

[139] *Agence France Presse* (November 25, 2009), "Europe moves to tighten hedge fund regulation."
[140] *Reuters News* (November 12, 2009), "EU to consider pay limits for hedge funds."

quota adjustment process has been slow. The previous quota reform, which was already approved by the IMFC in 2008, has not been completed until now. Zhou said that the IMF is a quota-based institution, and quotas should be its primary resource. He emphasized that quota adjustment and reform is not a zero sum game. "A Fund with a more reasonable governance structure will be better able to protect global economic and financial stability which will benefit all member countries. We urge the Fund to accelerate its work, and complete quota reviews on schedule in accordance with the G20 Pittsburgh Summit and IMFC objectives," Zhou said. "We expect the review to leave no member's quota share severely misaligned."[141] (April 25, 2010, *Xinhua's China Economic Information Service)*

At their April meeting, the G20 finance ministers and central bank governors "urged progress to deliver on the representation and governance reforms of the International Financial Institutions agreed in Pittsburgh. [They] urged the IMF to deliver the quota and governance reforms by the November Seoul Summit." They indicated that they were looking forward the World Bank reforms and new funding that was committed at the IMF and World Bank meetings that followed the G20 meeting. They committed to working "towards ambitious IDA16 and African Development Fund replenishments" and they "welcomed the agreement in principle to increase the capital of the IaDB and EBRD and to adopt a robust reform agenda" and said they were looking forward to "general capital increase of the African Development Bank."[142] (April 23, 2010, *Reuters News*)

Ahead of G20 finance ministerial in Scotland in early November, India, Russia and China are pooling their collective economic weight to push for greater voting power and representation of developing and emerging countries in global economic bodies. "They stressed that the future of global economic governance should feature in balanced representation, equality and result-orientedness, and ensure the voice and representation of emerging market and developing countries," a joint communiqué said at the end of the ninth trilateral meeting of the foreign ministers of India, China and Russia. The three countries also made a pitch for holding future G20 summits in developed countries and in emerging market and developing countries "by rotation based on the principle of transparency and equity." The ministers emphasized that one of the ultimate goals of governance structure reform for international financial institutions is equitable distribution of voting power between developed countries and developing ones, said the joint declaration. Alluding to key decisions taken at the Pittsburgh Summit, the three foreign ministers called for "speedy shift" in quota share in IMF of at least 5% to emerging market and developing countries and a significant increase of at least 3% of voting power in the World Bank for developing and transition countries. The common stance of the three major emerging economies is expected to push the ongoing process of recasting the international economic order to accommodate developing countries in economic governance. (October 27, 2009, *Indo-Asian News Service*)

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[141] *Xinhua's China Economic Information Service* (April 25, 2010), "China urges IMF to accelerate quota adjustment."

[142] *Reuters News* (April 23, 2010), "Communique from G20 meeting in Washington."

### *Trade*

**Canadian minister of international trade Peter Van Loan said that global prosperity depends on free trade and investment, not protectionism. "A core message from Canada at the G20 Summit will be to open doors to free trade around the world. We will continue our work on restoring the health of the global economy and defining the path forward for future sustainable growth," Van Loan said. "The G20 meeting will be an occasion for countries to reaffirm the commitments they made at last year's Pittsburgh Summit … We all committed to resisting protectionism to ensure economic recovery. As recovery remains fragile, that commitment remains crucial."[143] (June 19, 2010, *Xinhua News Agency*)**

**Despite the global financial crisis, the G20 have largely resisted pressures to impose investment restrictions. "By and large, G20 governments have continued to honor their commitment, taken at the Washington, London and Pittsburgh summits, to refrain from raising new barriers to international investment," said a joint report by UNCTAD and the OECD. "Most of the general investment policy measures pointed toward greater openness and transparency for foreign investors." It said G20 leaders "are to be commended" for resisting protectionist pressures, thereby contributing to a return to growth and boosting investor confidence. The report, reviewing G20 investment and investment-related measures taken between November and May, was the third of a series prepared at the request of G20 leaders to be submitted at the Toronto Summit. According to the document, managing the investment impacts of emergency measures taken in response to the crisis still constitutes a great challenge for G20 governments. "Although these measures are not, on the whole, overtly discriminatory toward foreign investors, they pose serious threats to market competition in general and to competition operating through international investment in particular." The report urged G20 governments to ensure that their emergency measures and programs "are wound down at an appropriate pace and that the crisis is not used as a pretext to discriminate directly or indirectly against certain investors, including foreign investors." The report also warned that protectionist pressures would persist as long as the impact and aftershocks of the crisis weigh on the recovery. It urged G20 leaders to extend their commitment to resist investment protectionism beyond the end of 2010, as "openness to international investment is a precondition for strong global economy, job creation, and innovation." In a separate report released by the WTO, it was also concluded that G20 governments "have largely resisted resort to trade barriers" over the same period. However, the WTO report warned of the "growing risk" of a potential accumulation of trade-restricting measures implemented since the outbreak of the global financial crisis. "This risk is compounded by a relatively slow pace of removal of previously adopted restrictive measures. Exiting current restricting measures should be a priority." The WTO report will also be give to the leaders at the Toronto Summit.[144] (June 14, 2010, *Xinhua News Agency*)**

[143] *Xinhua News Agency* (June 19, 2010), "Canadian minister highlights importance of free trade."
[144] *Xinhua News Agency* (June 14, 2010), "G20 countries largely withstand protectionist pressures: report."

The number of new restrictions on international trade has slowed sharply, according to an official study commissioned by the G20, suggesting that a feared surge of protectionism has not arrived. The report, by the WTO, the OECD and UN Conference on Trade and Development, said that new import-restricting measures imposed over the past six months by G20 countries had affected at most 0.7% of G20 goods imports, or 0.4% of world imports — about half the increase in the previous six months. There had been no new restrictions on services trade, although financial bailouts continued to have a distorting effect and most new investment-related actions had encouraged rather than deterred foreign investors. "The trade and investment policy response to the global recession has so far been relatively muted," the report said. "Most G20 members continue to manage successfully the political process of keeping domestic protectionist pressures under control, despite a difficult environment for some of them where employment levels and new job opportunities are shrinking." Despite fears that the rapid global downturn and collapse in trade volumes would see an unprecedented surge in protectionism, the pattern so far has been a slightly muted version of previous recessions. Around three quarters of the measures recently imposed have come in industries that are heavy users of emergency blocks on trade — minerals, base metals and products, and machinery. The report said there had been few unusual developments in emergency blocks on imports deemed unfairly priced, subsidized or rising rapidly — so-called anti-dumping, countervailing duties and safeguard measures. Critics have argued that those traditional measures do not capture the extent of so-called "murky protectionism," or less obvious actions, such as financial or car industry bailouts, that have protectionist potential. The most recent Global Trade Alert report, published last month, said there had been a variety of worrying measures such as new Chinese restrictions on foreigners bidding for high-tech state contracts, Washington's use of the "Buy American" home procurement rules or a raft of restrictive Russian policies.[145] (March 9, 2009, *Financial Times USA*)

Canada pledged to become the first G20 member to permanently eliminate all import tariffs on inputs for manufacturers by 2015, and most cuts will take effect immediately. The tariff cuts on things like raw materials will save companies about CA$300 million (US$290 million). "Canada, as a nation whose prosperity is greatly dependent on trade, clearly understands the importance of open markets," it stated in its 2010 budget. The new measures will reduce the number of items subject to import duties ranging from 2% to 15.5% to 381 items from 1,541 items as of March 5, and that number will fall to 0 by 2015. At that time, the only imports subject to duties in Canada will be supply managed goods in the agricultural sector and consumer products. The government said its pre-budget consultations showed that small and mid-sized businesses were enthusiastic about the tariff cuts, which will cut costs and paperwork.[146] (March 4, 2010, *Reuters News*)

German wants the G20 to reject protectionism and promote free trade at their summit in Seoul. "The most important goal for the German government is probably the same as the Korean government," said Hans-Ulrich Seidt, Germany's ambassador to Korea. "We are both export-oriented nations and depend on a stable economic environment … Recovery of the world economy will be possible only if we try to foster an atmosphere of free trade

[145] *Financial Times USA* (March 9, 2010), "G20 curbs on imports see sharp slowdown."
[146] *Reuters News* (March 4, 2010), "Canada to scrap tariffs on manufacturing inputs."

among nations, to give a clear-cut signal in Seoul that although there might be economic problems in some major economies, we need a forward-looking trade policy." Germany also wants the G20 to discuss ending the massive financial stimulus programs that countries have adopted. "Until the middle of 2010," said Seidt, "we will see that the major economies of this world are becoming more and more stable after the crisis. And that will be the time to think about a common exit strategy."[147] (February 16, 2010, *Yonhap English News*)

Protectionism is still a concern. "We need to remain vigilant. With unemployment remaining high, protectionist pressures remain a worry," said WTO director general Pascal Lamy. His comments coincide with U.S. president Barack Obama's pledge to protect American jobs in the wake of employment losses due to outsourcing to developing countries such as India. Obama said it was time to end tax breaks to American firms that outsource jobs, while helping those which create employment within the United States. Lamy said the WTO would continue to keep a close watch on protectionist measures that impede international free trade. "We at the WTO secretariat will continue monitoring these developments through 2010." India and several emerging economies such as Brazil have raised concern over the protectionist measures in the West. The stance against protectionism got support from Korean president Lee Myung-back, who said that the G20 summit had "played a pivotal role in resisting protectionist pressures" and it was important to continue to do so. Commenting on the possibility of concluding the Doha Development Agenda, Lamy said reaching the agreement is "doable in 2010" but "we now need to see it done … We have planned a schedule of technical work over the next months. Governments will assess at the end of March is it still feasible to conclude negotiations this year."[148] (January 29, 2010, *Financial Express*)

Although the Global Trade Alert has described protectionist pressures as unrelenting, with dozens of new measures announced in the past three months and more coming, a recent WTO review concludes there had been no breakdown in the international trading system and its 153 members had resisted falling into protectionism. Richard Eglin, director of the trade policies review division of the WTO, which produces monitoring reports before G20 summits, said such claims encouraged companies to press politicians to restrict imports from foreign competitors. "Governments in our view have done a great job this year in holding the line — this sort of thing undermines them," said Eglin. "Our view was that governments, in the trade area, reacted in a mature and cooperative fashion." As unemployment continues to rise in many countries despite a fragile recovery, policy makers must remain vigilant against protectionism. He said inevitably governments had taken some trade-restrictive measures as the political price for generally resisting protectionism. "The nature of the [financial] crisis was of such momentous proportions that it would be naive to believe that governments could act in a completely text-book sense." A previous WTO report found that trade measures announced since the end of October 2008 had covered at most 1% of world trade. Overall decreased demand and a shortage of credit were bigger factors in curtailing trade. Measures were concentrated in the automobile and iron and steel sectors, which in developed countries

[147] *Yonhap English News* (February 16, 2010), "Germany expects G20 summit to bolster free trade."
[148] *Financial Express* (January 29, 2010), "WTO backs India's concern over growing protectionism."

had been facing problems. In other sectors the impact was marginal. After an initial knee-jerk tendency to raise tariffs or limit imports, most recent measures have taken the form of anti-dumping duties against imports deemed unfairly priced. In many countries such remedies are not a sign of government protectionism, according to Eglin. In the U.S., for instance, if a company makes a good case for an anti-dumping investigation, trade regulators are bound to initiate a probe and politicians cannot stop or interfere with the due process. The number of anti-dumping investigations in 2009 was less than half the 400 forecast by WTO analysts, Eglin said. Measures taken by different countries had virtually no impact on world trade flows and could not be argued to have made the crisis worse. In some cases they had hit bilateral trade relations, where a particular supplier was targeted, but such bilateral measures had not led to a 1930s-style tit-for-tat cycle. "The danger at the bilateral level was that it would lead to retaliation," said Eglin. "It didn't."[149] (December 18, 2009, *Reuters News*)

Canadian prime minister Stephen Harper urged the G20 to avoid protectionism, taking aim specifically at China's restrictions on imports of Canadian canola oil. "Now more than ever, as tentative signs of recovery are emerging, Canada and China will need to keep our voices strong and united at the G20 table," Harper said. "The messages we must impart during this critical period will be threefold: first, we must urge fellow members to follow through on committed stimulus. Second, we must develop exit strategies to avoid inflation and asset bubbles. And third, perhaps most importantly, we must insist that all leaders stand firm against protectionist pressures. We have seen movements towards protectionism, albeit modest, since this global recession began. But modest or otherwise, protectionism is the single greatest threat to long-term recovery for Canada, for China and for the entire world economy."[150] (December 4, 2009, *Reuters News*)

### Climate Change

**The G20 members will discuss climate change at their Toronto Summit. A spokesman for Canadian prime minister Stephen Harper confirmed that climate change will be on the table at the G8 and G20 summits. "We anticipate that climate change will come up, in fact, at both summits," Andrew MacDougall said. Leaders from the EU, Mexico and the UN have been calling on Canada to put climate change on the to-do list when it hosts summits in Huntsville and Toronto in June. "Obviously, a lot of subjects will be discussed, including some issues surrounding climate change," Harper said. Mexican president Felipe Calderon stressed the urgency with which climate change must be addressed during a visit to Ottawa in May. "In Mexico, we cannot wait. We cannot wait for the developed countries to make a decision," Calderon said. "Some of them, like the U.S., could take another eternity to decide on what they had decided since the Kyoto Protocol." Harper has suggested the UN as a better venue for global-warming talks. "In the past, there have been discussions of the climate change issues at the G20 for the purpose of trying to assist, not replace, the United Nations process," the prime minister said.**

[149] *Reuters News* (December 18, 2009), "INTERVIEW-WTO warns on protectionism scare-mongering."
[150] *Reuters News* (December 4, 2009), "Canadian PM warns G20 on protectionism, cites China."

**"Of course, as I indicated to President Calderon during his visit, we will continue the same practice here."[151] (June 15, 2010, *Toronto Star*)**

In response to UN secretary general Ban Ki-Moon's call to put climate change on the G8 and G20's agenda, the Canadian government said "Having a discussion of [climate change] on the margins of the G20 summit is important. But the primary focus of the G20, as per its mandate, is to discuss the economy and that is the government's number one priority." "There are talks ongoing among G20 and G8 members and I expect further discussion on that very important topic," said Harper. He said the G20 will focus on the global economy but climate change won't be ignored. "I anticipate that a range of subject matters will be talked about, including climate change. This government's position is clear. We support the Copenhagen Accord, which for the first time includes all major emitters."[152] (May 12, 2010, *The Canadian Press*)

France wants the G20 to impose a tax on financial transactions to raise money to fight climate change. Speaking at a conference on forests, French president Sarkozy called for a renewed effort on climate change after the "frustrating" Copenhagen conference in December. "Those who don't want to do anything are those who don't want to pay. If the money isn't there, the ones who will pay for the consequences are the poor," he said. Sarkozy said new sources of funding would be needed for the $100 billion committed at the Copenhagen climate conference and he said he would push for a tax on financial transactions when France takes the chair of the G20 in 2011. "Only innovative financing will allow us to meet this challenge," he said. "I will take, with others, initiatives at the G20 to ensure a tax on financial transactions is rapidly adopted." Without naming any countries, Sarkozy said France would have to overcome opposition within the G20 and he called for backing from countries committed to change. "If France and a few others are alone at the G20, we won't get there," he said. "We have Africa behind us, we have parts of Asia with us, we have Latin America with us." He said opposition did not just come from richer countries, pointing to divisions among the emerging countries as well. "When you say G5, there are those that want to move forward and those that want to stop. I won't name any names." (March 10, 2010, *Reuters News*)

The EU says it will pursue a new deal on global warming through the G20, since the December 2009 Copenhagen conference of nearly 200 countries led to unwieldy negotiations that accomplished little. "We need to change our negotiating strategy," said Spanish minister of foreign affairs Miguel Angel Moratinos. Spanish officials said the EU is keen to pursue a climate deal through the G20, rather than the United Nations. A senior EU official also said such a summit could produce a meaningful agreement, without having heads of state meet through the night to bicker over the wording of such a deal, as they did in Copenhagen.[153] (January 8, 2010, *Associated Press Newswire*)

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[151] *Toronto Star* (June 15, 2010), "Tories add climate change to G8 agenda; Leaders, activists put pressure on Ottawa."

[152] *The Canadian Press* (May 12, 2010), "Harper rejects UN chief's plea to make climate change G20 agenda's top priority."

[153] *Associated Press Newswire* (January 8, 2010), "EU to pursue climate deal through G20."

EU leaders have urged the IMF to consider a global tax on financial transactions. In a communiqué after their two-day summit, the EU's 27 national leaders stopped short of a formal appeal for a Tobin tax, but they made it clear that they regarded it as a potentially useful revenue-raising instrument. Separately, UK prime minister Gordon Brown and French president Nicolas Sarkozy suggested that revenues from such a tax could be devoted to fighting climate change, especially in developing countries. They said funding from 2020 could come from "a global financial transactions tax, and the reduction of aviation and maritime emissions and the auctioning of national emissions permits." U.S. treasury secretary Timothy Geithner previously told the G20 that the U.S. was unwilling to back a tax on daily financial market activity. IMF managing director Dominique Strauss-Kahn said the Tobin tax was "a very old idea that is not really possible today." However, Brown recently commented that "global taxes will not be introduced unless all global financial centres are able to come behind them. But I believe there's growing support for that … We're trying to make a global supervisory system that makes sense for all the financial centres in the world."[154] (December 12, 2009, *Financial Times Asia*)

Canadian finance minister Jim Flaherty said there were still no specific numbers for climate financing on the table during high-level discussions at the November G20 finance ministers meeting. "At the G20 meeting in Scotland we talked about financing options but we did not talk about numbers." The G20 finance ministers made very little progress during their talks on climate funding in Scotland, with heated arguments over who should pay what. Developing countries, where per-capita emissions are a fraction of those in the developed world, say rich countries are responsible for most greenhouse gas emissions and so must help them adapt.[155] (November 13, 2009, *Reuters News*)

### *Energy*

At their April meeting, the G20 finance ministers "noted the draft report on the scope of energy subsidies and suggestions for the implementation of the Pittsburgh commitment from the IEA, OPEC, OECD and World Bank. In accordance with country ownership and circumstances and recognizing the importance of providing those in need with essential energy services, [they] recommitted to prepare strategies and timetables for [their] meeting in June to rationalize and phase out, over the medium term, of inefficient fossil fuel subsidies that encourage wasteful consumption."[156] (April 23, 2010, *Reuters News*)
Oil derivative markets should be better regulated and more transparent, French finance minister Christine Lagarde said. She underlined the need for a European approach to the issue and said that the approach taken by the G8 and the G20 should be applied to oil derivative markets.[157] (February 11, 2010, *Dow Jones International News*)

[154] *Financial Times Asia* (December 12, 2009), "European leaders push case for Tobin tax."
[155] *Reuters News* (November 13, 2009), "Rich nations' climate cash offers still not clear."
[156] *Reuters News* (April 23, 2010), "Communique from G20 meeting in Washington."
[157] *Dow Jones International News* (February 11, 2010), "Oil Derivatives Markets."

### *Employment*

The G20 labour and employment ministers passed along their recommendations to U.S. president Barack Obama on April 21 after a two-day meeting. At their meeting, the ministers "reviewed the massive programs launched in the last year to respond to the crisis and discussed additional measures to ensure a sustained recovery that produces enough jobs for workers. The labor and employment ministers also discussed a 21st century job skills training strategy." The recommendations that they came up with and passed along included a focus on: accelerating job creation to ensure a sustained recovery and future growth; strengthening social protection systems and promoting inclusive active labour market policies; placing employment and poverty alleviation at the center of national and global economic strategies; improving the quality of jobs for people; and preparing workforces for future challenges and opportunities. U.S. secretary of labour Solis said, "At the end of the day, recovering from the crisis and restoring sustained and balanced growth that creates enough good jobs for our people are goals that we cannot accomplish alone in our own countries. In an integrated global economy, we have to work together."[158] (April 21, 2010, *United States Department of Labor*)

### *Development*

At their April meeting, the G20 finance ministers "agreed to support full relief of Haiti's debt by all IFIs, including through burden sharing, and welcomed the agreement at the IaDB and World Bank to relieve its debt and the establishment of the Haiti Reconstruction Fund."[159] (April 23, 2010, *Reuters News*)

The G20 is prepared to help the Democratic People's Republic of Korea's (DPRK) development effort, Korean president Lee Myung-bak said. "G20's role will be important in terms of the DPRK's various development policies, once it gives up on its nuclear program and begins to cooperate," the president said. The remark comes at a time when the DPRK seems ready to return to the six-party talks.[160] (January 14, 2010, *Xinhua News Agency*)

On January 14, the G20 released a statement expressing sympathy and condolences to the people of Haiti and they committed to "send immediate economic and in kind assistance to attend to the basic human needs of the Haitian population."[161] (January 14, 2010, *Office of the Prime Minister of Canada*)

The World Bank has approved $1.3 billion in crisis response measures for the poorest countries. The funds, requested by the G20 to explore the benefits of a new crisis response mechanism to protect low-income countries from crises, were allocated to the

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[158] *United States Department of Labor* (April 21, 2010), "G20 labor and employment ministers present recommendations to President Obama."
[159] *Reuters News* (April 23, 2010), "Communique from G20 meeting in Washington."
[160] *Xinhua News Agency* (January 14, 2010), "G20 to help nuclear-free DPRK's development: S. Korean president."
[161] *Office of the Prime Minister of Canada* (January 14, 2010), "G20 statement on the situation in Haiti."

International Development Association (IDA). The duration for the crisis response window will be 18 months, ending in June 2011. "With the new financial support mechanism approved today, IDA will be able to provide additional financial support to mitigate the impact of this crisis on poor countries," said World Bank Group president Robert B. Zoellick.[162] (December 10, 2009, *Xinhua News Agency*)

## 3. Participants

Finance Minister Naoto Kan was elected prime minister of Japan on June 4, replacing Yukio Hatoyama who resigned on June 2.[163] (June 4, 2010, *Asahi Shimbun*)

France will push for Africa to have a seat in the G20 similar to the EU when it takes over as chair in 2011. "They (African leaders) are quite enthusiastic that we want to make the African Union a permanent member of the G20 like the presidency of the European Commission," a French source said. French President Sarkozy said it was time for the world to make a place for Africa on the global stage to discuss international crises and reform.[164] (June 1, 2010, *Reuters News*)

Canada has extended invitations to the Toronto G20 Summit to Malawi, Ethiopia, Vietnam, Spain and the Netherlands. However, there remains no discussion among G20 members to expand the group's membership. "G20 leaders have important work to do when we meet in Toronto in June and participation by these countries will bring valuable perspective to that task," Harper said. "In Toronto, we need to meet our past commitments to ensure recovery of the global economy and restore jobs around the world. As a group representing major economies, the G20 also has a responsibility to usher in a new era of economic cooperation — one that will result in stronger, more balanced and sustainable global growth." Also attending the Toronto Summit will be the heads of the World Bank, IMF, FSB, OECD, ILO, WTO and UN. Canada's G20 Summit will follow a separate and distinct meeting of the G8 in Muskoka from June 25-26, which will focus on urgent development and peace and security challenges. The theme for both of Canada's summits is "Recovery and New Beginnings."[165] (May 8, 2010, *States News Service*)

Japanese prime minister Yukio Hatoyama told visiting Singapore senior minister Goh Chok Tong yesterday that Japan backs Singapore's inclusion in the G20. Hatoyama commended Singapore on its financial and economic development, and said he would like to see the city state play a bigger role on the international stage. Both leaders spoke at length about the APEC summit which Japan will host in November.[166] (April 23, 2010, *NewsAsia*)

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162 *Xinhua News Agency* (December 10, 2009), "World Bank approves crisis response funds for poorest countries."
163 Asahi Shimbun (June 4, 2010), "Kan elected prime minister."
164 *Reuters News* (June 1, 2010), "France wants EU-style G20 membership for Africa."
165 *States News Service* (May 8, 2010), "PM Announces Participation of Key Leaders at Toronto G20 Summit This June."
166 *NewsAsia* (April 23, 2010), "Japan backs Singapore's inclusion in the G20."

Indonesian president Susilo Bambang Yudhoyono said that ASEAN leaders hoped that the ASEAN chair, currently held by Vietnam, would be invited to participate in the upcoming G20 summits. Yudhoyono advocates ASEAN's permanent participation in the summit. "Indonesia would even write a letter to the host of this year's summit in Canada or South Korea, to have the ASEAN chairman take part," he said.[167] (April 10, 2010, *Organisation of Asia-Pacific News Agencies*)

Belgium says it will not request a seat at the November G20 summit, according to Prime Minister Yves Leterme. "This is in line with the spirit of the Lisbon treaty. It is essential for the EU to speak with one voice," the Belgian prime minister. Spain, however, remains eager to grab a seat at the upcoming June G20 summit.[168] (April 8, 2010, *Europolitics*)

The late Polish president Lech Kaczynski said Poland deserves to become a member of the G20 now that its economy has grown to become the 18th largest in the world. He argued that Poland has grown in influence and belongs in the world's premier forum for discussing major economic issues. "The place for my country is within the G20," Kaczynski said.[169] (February 3, 2010, *Associated Press Newswire*)

The euro zone should be represented at the G20 and coordinate more closely on economic policies, said Jean-Claude Juncker, chair of the Eurogroup. "The international status of the euro implies external representation. The G7 is becoming less important, being overshadowed by the G20, and here the Eurogroup is not represented," he said. Juncker said the European Commission, the EU's executive arm, is ready to make a formal proposal for the euro zone's membership at the G20. In a letter to eurozone finance ministers, Juncker said a single seat is essential to ensure that the euro zone's interests are fully reflected in international discussions. Juncker said eurozone countries should work out common positions and speak in one voice to increase the international status of the euro. He also called for better economic governance and coordination in the single currency club: "coordination of economic policy should be enhanced." Juncker suggested euro zone countries should coordinate not only their fiscal policies, but also their structural reforms. "Various countries have to agree on exit strategy … We will need to concentrate our efforts on structural policies … linked to respective competitiveness of member states throughout the euro zone," he added. By strengthening coordination, Juncker said economic surveillance in the euro zone should be broadened in order to phase out macroeconomic imbalances and to identify priorities for its members and the euro zone as a whole. "We have to apply the stability pact. We have to broaden surveillance in the euro area … [and] need to focus on gradual phasing out of macroeconomic imbalances." Juncker proposed that the European Commission should be given the power to issue a warning to a member state whose policies were not in line with what had been agreed. "If a country moves away from the broad economic guidelines, it

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[167] *Organisation of Asia-Pacific News Agencies* (April 10, 2010), "ASEAN asks for Participation in G20 Summits."
[168] *Europolitics* (April 8, 2010), "Council: Belgian Presidency to Give up G20 Seat."
[169] *Associated Press Newswire* (February 3, 2010), "Poland wants into the G20 now that its economy is world's 18th largest."

should receive a warning from the commission. We should talk firmly and vigorously to the member state involved," he said.[170] (January 18, 2010, *Xinhua News Agency*)

The 16 countries that use the euro should claim their own collective seat within the G20 and IMF, the incoming European commissioner for economic and monetary affairs said. The euro countries need "to work towards a unified representation of the euro area and the eurozone in international institutions such as the G20 or IMF," Finland's Olli Rehn told European parliament lawmakers. He added: "We have to have a single representative for Europe in the area of world economic governance … Currently we punch below our weight. By standing united we can lead, not only follow." Rehn said he was planning soon to present a proposal to that effect.[171] (January 11, 2010, *Agence France Presse*)

At a meeting with ASEAN leaders, Korean president Lee Myung-bak said that he is considering inviting Vietnam, the chair of ASEAN next year, as a special guest to the G20 summit that will be held in the Republic of Korea in November 2010.[172] (October 26, 2009, *Asia Pulse*)

IMF managing director Dominique Strauss-Kahn said the G20 would have a more global reach if it included a few new members. "We could add two or three countries." He did not name any countries that he believes should be added but said that, for example, Scandinavian countries did not have a seat at the G20, nor did African states.[173] (October 23, 2009, *Reuters News*)

# 4. Implementation and Preparations

### *Implementation*

When the G20 finance ministers meet in Busan in June, they will focus on Europe and the United States, where the financial crisis has hit hardest. The U.S. is aiming to sign into law in July a sweeping piece of legislation that will implement most of the G20's pledges. The EU has been implementing the G20 commitments in a variety of individual laws on credit rating agencies, hedge funds, bank capital and supervision. The G20 wants banks to set aside more bank capital, with a higher proportion in common stock or retained earnings by end of 2012. The BCBS put forward a package of Basel III reforms in 2009, with the aim of finalizing it by this November's G20 summit. Most banks already hold more capital than under the existing Basel II accord, which the U.S. has yet to fully adopt. The G20 agreed that hedge funds above a certain size should be authorized and obliged to report data to supervisors. The U.S. reforms are in line with the G20 pledge, but the EU is going even further by including private equity groups and restrictions on non-EU fund managers seeking European investors. The G20 also called

[170] *Xinhua News Agency* (January 18, 2010), "Eurogroup chairman calls for single seat at G20."
[171] *Agence France Presse* (January 11, 2010), "Eurozone should get a seat in G20, IMF: EU's Rehn."
[172] *Asia Pulse* (October 26, 2009), "Asian Leaders Call for Continued Fight Against Economic Crisis."
[173] *Reuters News* (October 23, 2009), "IMF boss: G20 would benefit from 2-3 more members."

for greater standardization and central clearing of privately arranged over-the-counter (OTC) contracts by the end of 2012 to cut risk. Japan has adopted such rules and the U.S. is well on its way, but the EU won't make formal proposals until July. The U.S. is keen on pushing derivatives onto exchanges as well as clearing while the EU is focusing more on clearing. The G20 set a June 2011 deadline for creating a single set of high-quality accounting rules to give investors greater transparency. There remain significant differences between the IASB and FASB over accounting for financial instruments, but an alternative plan to present the two approaches side-by-side to investors is in the works. The G20 wants banks to start retaining some of the securitized products they sell by 2010 as an incentive to raise underwriting standards. The EU has adopted a law mandating retention of 5%, with the U.S. law set to do likewise. The G20 wanted credit rating agencies registered and supervised by the end of 2009. The EU has adopted a law mandating registration and direct supervision that takes effect in 2010. The U.S. bill includes similar provisions. The G20 called for supervision of systemic risk at local and international level. The European Commission has proposed draft laws to create a European Systemic Risk Board, hosted by the European Central Bank, due to be in place during 2010. Three new pan-EU supervisory authorities for banks, markets and insurers are to work closely with the ESRB. The U.S. bill sets up a council of regulators chaired by the U.S. Treasury, with the Federal Reserve playing a role. The IMF has proposed two bank taxes to pay for bailouts, but there has been no G20 consensus so far. The U.S. may adopt the "Volcker Rule", a structural measure that bans risky proprietary trading at some banks, but the EU has rejected such moves. Basel III will force banks to build up extra capital buffers in good times to tap in troubled markets and lessen the need for taxpayer bailouts but there are arguments over who and what should trigger the build-up or draw-down of buffers.[174] (May 27, 2010, *Reuters News*)

The G20 will focus on the implementation of its earlier decisions at upcoming meetings, according to Russian presidential aid Arkady Dvorkovich. "We believe it is necessary to implement the decisions that were made at the previous G20 summit," he said, adding that work on some of these matters is proceeding actively, but others lack proper attention, among them the redistribution of quotas in international financial institutions and the improvement of their management. The first round of mutual analysis of the G20 members' macroeconomic policies is finished, Dvorkovich said. "All countries have submitted their forecasts and assessment of their macroeconomic policies, and the IMF is currently analyzing how much they are harmonized with each other." G20 finance ministers are considering these issues and will try and work out recommendations for the leaders in Washington on April 23. "I am sure we will see that there are problems of misbalance on the global scale," and the minimization of this misbalance will be among the key issues to be considered by the G20, Dvorkovich said. Another important subject in 2010 is the financial regulation system, particularly, the amendment of bank capital sufficiency requirements. "A decision is likely to be made this year, and we will insist on this, but its entry into force will be deferred," he said. One of the important issues in 2011

[174] *Reuters News* (May 27, 2010), "G20 progress on financial regulation."

will be the harmonization of U.S. and European financial reporting standards.[175] (April 10, 2010, *Interfax: Russia & CIS Energy Newswire*)

The IMF has said it will advise the G20 on whether their economic policies promote balanced global growth, but it will not consider that a part of its formal surveillance role. The G20 agreed in September to work together to even out economic imbalances blamed for contributing to the financial crisis and asked the IMF for assistance. At the heart of those imbalances is the gap between the heavily indebted U.S. and export-rich China, although other countries also play a role. The G20 pledged to put forward economic policies that would help with rebalancing and assess the progress together. The IMF was given the task of analyzing how national or regional policies fit together. Unlike the formal surveillance process it already conducts, the IMF said it would offer the G20 "technical advice." This has been a point of some disagreement both inside and outside the IMF. Some observers have expressed concern that the G20's rebalancing pledge lacks any mechanism for compelling member countries to make necessary changes in policy. The IMF's executive board endorsed the idea of providing technical advice, but said "some directors" objected to this and thought it should be considered part of the multilateral surveillance. The IMF said the information it gathers from the G20 could be used to "inform surveillance, in that the information obtained and the analysis undertaken could be used as inputs for bilateral and multilateral surveillance." G20 countries are expected to provide economic information to the IMF by the end of January 2010. IMF staff will then review the information and construct two scenarios to determine whether domestic policies will promote more balanced global growth. First, the IMF will input the data provided by the G20 into a "raw" global scenario. It will then use that scenario to build a second "base case" scenario, trying to reconcile differences in macroeconomic projections, such as the price of oil or expected interest rates. It will then assess whether additional policy adjustments may be necessary to reach growth objectives and ensure financial stability. The IMF said it planned to provide a report to be discussed by finance ministers and central bankers at a meeting in April. IMF staff will then provide a more concrete analysis of how medium-term global prospects could be enhanced through collective policy actions. It will provide a list of policy options for consideration by G20 officials at their June summit, and refine and update it for final consideration in November when they meet again in Korea.[176] (January 15, 2010, *Reuters News*)

The IMF is helping to provide oversight and surveillance of the G20's economic and financial policy reform efforts. In a report outlining the initial oversight procedures requested by the G20 at the Pittsburgh Summit, the IMF said the process would focus on "assessing and monitoring whether or not individual countries' policies and plans are collectively consistent with the G20's main objective of restoring high, sustainable and balanced global growth." The IMF will also identify policy gaps and suggest alternatives where necessary. The IMF will provide three reports in 2010, the first at the spring meeting of the IMF in Washington, which will include the IMF's "forward-looking assessment (next 3-5 years) of global economic prospects conditional upon G20 national

[175] *Interfax: Russia & CIS Energy Newswire* (April 10, 2010), "G20 to focus on discussing implementation of its earlier decisions – Kremlin aide."
[176] *Reuters New* (January 15, 2010), "IMF sees less formal advisory role on G20 rebalancing."

policy frameworks and plans, and indicate any policy issues or gaps, and possibly proposals for alternative policy scenarios that the G20 members could explore." The IMF would then "provide more concrete analysis of how medium-term global prospects could be enhanced through collective policy actions" which the G20 deputies would use to "develop a menu of policy options for consideration by G20 Finance Ministers and Central Bank Governors and subsequently by Leaders at their June 2010 summit." The final policy assessment would be prepared in time for the leaders' summit in November, after which the IMF surveillance is expected to be an annual exercise. The G20 process also will feed into the IMF's regular World Economic Outlook and Global Financial Stability reports which are updated quarterly.[177] (January 15, 2010, *Market News International*)

The FSB held its third plenary meeting on January 9, 2010, in Basel. They discussed the current financial conditions, improving financial regulation, bank capital and liquidity and strengthening international financial standards. They noted that "momentum is being maintained towards meeting the clear targets set by G20 Leaders for improving financial regulation" and that their review of implementation of the Principles and Standards for Sound Compensation Practices, as requested by the G20, would be completed by March 2010. The FSB continues to monitor progress in implementing the G20's recommendations on accounting standards. In June it will report on the treatment of important financial institutions during a crisis, also known as "too big to fail" problem. They will also update the G20 finance ministers and governors gathering in Canada on how to better assess the buildup of financial risks, including the usage of new macroprudential tools and indicators.[178] (January 9, 2010, *Financial Stability Board*)

International experts debated ways to measure the world's well-being, in line with G20 calls for statisticians to take into account people's happiness and not just their economic output. The global economic crisis "has revealed the growing gap between official statistics and people's perceptions of their standards of living," said Angel Gurria, OECD secretary-general. The forum was investigating ways of "going beyond GDP" to produce a new set of data to better measure the quality of life. Gurria told experts on the environment, development, business and social issues that without such new indicators, a "crisis of confidence" could erode trust in institutions and in democracy itself. The OECD's forum followed a call by G20 leaders at Pittsburgh for statistics "to better take into account the social and environmental dimensions of economic development."[179] (October 27, 2009, *Agence France Presse*)

[177] *Market News International* (January 15, 2010), "IMF: To Provide Assessment, Oversight of G20 Econ, Finl Reforms."
[178] *Financial Stability Board* (January 9, 2010), "Financial Stability Board meets on the financial reform agenda." <http://www.financialstabilityboard.org/press/pr_100109a.pdf>
[179] *Agence France Presse* (October 27, 2009), "Forum seeks ways to assess world well-being rather than wealth."

### *Preparatory Meetings*

- October 11, 2008: G20 Finance Ministers and Central Bank Governors Meeting (Washington, DC)
- November 8-9, 2008: G20 Finance Ministers and Central Bank Governors Meeting (Sao Paulo, Brazil)
- November 14-15, 2008: G20 Leaders Summit (Washington, DC)
- April 22-23, 2009: G20 Finance Ministers and Central Bank Governors Meeting (Washington)
- June 12-13, 2009: G8 Finance Ministers and Central Bank Governors Meeting (Lecce, Italy)
- September 4-5, 2009: G20 Finance Ministers and Central Bank Governors Meeting
- September 24-25, 2009: G20 Leaders Summit (Pittsburgh, Pennsylvania)
- November 6-7, 2009: G20 Finance Ministers and Central Bank Governors Meeting (St. Andrews, Scotland)
- January 13-14, 2010: G20 Sherpas Meeting (Mexico)
- January 13-14, 2010: G7 Finance Deputies Meeting (France)
- February 4-5, 2010: G7 Finance Deputies Meeting (Iqaluit, Canada)
- February 5-6, 2010: G7 Finance Ministers and Central Bank Governors Meeting (Iqaluit, Canada)
- February 22-24, 2010: G20 Tourism Ministers (Johannesburg, South Africa)
- February 27-28, 2010: G20 Finance Deputies Meeting (Incheon, Korea)
- March 18-19, 2010: G20 Sherpas Meeting (Ottawa, Canada)
- April 20-21, 2010: G20 Labour Ministers Meeting (Washington, DC)
- April 22-23, 2010: G20 Finance Ministers and Central Bank Governors Meeting (Washington DC)
- April 2010: G20 Workshop on Energy Security (Saudi Arabia)
- May 24-25, 2010: G20 Sherpas Meeting (Calgary, Canada)
- May 2010: G20 Workshop on Financial Regulatory Reform (Canada)
- June 3-4, 2010: G20 Finance Deputies Meeting (Republic of Korea)
- June 4-5, 2010: G20 Finance Ministers and Central Bank Governors Meeting (Busan, Republic of Korea)
- June 22-24, 2010: G8/G20 Sherpas Meeting (Canada)
- June 26-27, 2010: G20 Leaders Summit (Toronto, Ontario)
- July 2010: G20 Workshop on Macro Framework (France)
- September 2010: G20 Finance Deputies Meeting (Gwangju, Republic of Korea)
- October 9-11, 2010: G20 Finance Ministers and Central Bank Governors Meeting (Washington, DC)
- October 22-23, 2010: G20 Finance Ministers and Central Bank Governors Meeting (Gyeongju, Republic of Korea)
- November 11-12, 2010: G20 Leaders Summit (Seoul, Republic of Korea)

### *Preparations*

**G7 finance ministers planned to hold a conference call on June 14. “A G-7 conference will take place in the afternoon," said European Central Bank Governor**

**Juncker's spokesman, Guy Schuller. News of the conference call comes amid speculation that Spain need some of the €750 billion set up to help euro-zone countries. A German finance ministry spokesman declined to comment whether the conference call would take place and what the content would be. A U.S. Treasury spokeswoman also declined to comment.[180] (June 14, 2010, *Dow Jones News*)**

Canadian prime minister Stephen Harper will meet with Abdou Diouf, Secretary-General of La Francophonie, and Kamalesh Sharma, Secretary-General of the Commonwealth, in Canada on June 9 to discuss the upcoming G8 and G20 Summits. During their visit, the Secretaries-General will also meet with foreign minister Lawrence Cannon, Josée Verner, Minister for La Francophonie. "It is a pleasure to welcome Secretaries-General Diouf and Sharma to Canada," said Harper. "As host of this year's G-8 and G-20 Summits, Canada is consulting broadly to maximize results at the leaders' meetings. I look forward to sharing thoughts on international development, peace and security and the global economy with the leaders of the Francophonie and Commonwealth who will be representing the views of their many member countries."[181] (June 6, 2010, *States News Service*)

The G20 will discuss the euro-zone debt crisis at their June meeting in Korea. In Busan, Korea, Canadian finance minister Jim Flaherty plans to tell his G20 counterparts that countries need clear and credible stimulus exit strategies and fiscal consolidation plans. Markets are sending signals that a number of European countries are reaching the limit of fiscal stimulus and it is important for these countries to put their fiscal houses in order rapidly. Flaherty will also tell the group that there has to be a rotation of global demand. In that regard, countries with huge current account surpluses like China need greater exchange rate flexibility. The global economy is growing better than expected and it is critical to put the financial system on firm footing to ensure economic recovery is sustained. Flaherty will promote Canada's idea of embedded contingent capital as a better alternative to a global bank tax, an idea that the official said is gaining interest among the G20.[182] (May 31, 2010, *Dow Jones News Service*)

Finance ministers and central bankers from the G20 gather in Korea on June 4-5 to discuss the European debt crisis, financial reforms and efforts to rebalance the global economy. The G20 will publicly show unity in supporting efforts to resolve Europe's debt crisis and calm market turmoil. But behind closed doors, the U.S. and China are likely to urge euro zone countries to quickly implement a $1 trillion aid package and budget reforms to improve investor confidence. Agreement on fiscal and monetary policy remains difficult, as there are differing speeds of regional recovery. Euro zone countries with large deficits face very slow growth as they adopt austerity measures. China and emerging countries face inflation and property bubble risks. The U.S. is growing solidly but has a heavy debt burden. Criticism over the Chinese yuan has given way to softer

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[180] *Dow Jones News* (June 14, 2010), "G7 Fin Ministers To Hold Conference Call Mon Afternoon – Luxembourg."

[181] *States News Service* (June 6, 2010), "Prime Minister Stephen Harper Welcomes La Francophonie and Commonwealth Secretaries-General."

[182] *Dow Jones News Service* (May 31, 2010), "Canada Expects Euro-Zone Woes To Be Discussed At G20."

persuasion in recent months. U.S. treasury secretary Geithner said the decision to revalue was "China's choice." Finance ministers have said financial reforms such as bank levies, new capital standards and restrictions on some kinds of trading must be globally coordinated to ensure a level playing field. But some are acting unilaterally. The IMF is likely to give more details on its proposals for a levy on banks to fund future bailouts and a tax on bank profits and pay. The U.S. and EU countries favor new bank taxes and want them to be global to deter avoidance. But countries whose banks did not come close to collapse, such as Canada, Australia and most emerging economies, are opposed. The G20 wants banks to set aside more capital with a higher proportion in common stock or retained earnings by end of 2012. The G20 leaders agreed last September to shift emerging economies' voting power at least 5% in the IMF. Ministers in Busan will likely recommit to an accelerated deadline for a deal on this by the Seoul Summit, earlier than the original January 2011 target. There is likely to be some discussion of the IMF's resources funding needs. China is keen for the IMF to broaden the currencies that make up its SDR international reserve assets from the current basket of dollars, euros, yen and sterling.[183] (May 27, 2010, *Reuters News*)

Canadian prime minister Stephen Harper will travel to London and Paris from June 2 to 4 to discuss the upcoming G8 and G20. "The UK and France are close friends and allies who will be critical players in the upcoming G8 and G20 meetings being hosted by Canada next month," Harper said. "I look forward to their insights on the global economy and international security and development which will help maximize results at the Leaders' Meetings." Canadian foreign minister Cannon will accompany Harper.[184] (May 28, 2010, *Office of the Prime Minister of Canada*)

Senior government and central bank officials from the G20 are gathering in Germany to discuss ways to minimize the impact of the European debt problem on the global economic recovery. The G20 meeting will be held in Berlin on May 26, with vice finance ministers and vice central bank governors. Representatives from the IMF and the World Bank will also join the event. "This week's meeting will be focused mostly on the current global economic conditions and possible downside risks in consideration of the fiscal debt problem in Europe," the Korean ministry said, "while checking on the status of preparations for a meeting between G-20 finance ministers and summit talks to be held next month." The Berlin meeting will have three sessions: the first will focus on the current economic situation and plot effective countermeasures; the second session will focus on how to achieve strong, sustained and balanced growth; and the third will be used to fine-tune the schedules for the upcoming June meetings. "At first, the framework for a sustained and balanced growth was supposed to dominate the G-20 meeting this week. But as the debt problem in Greece is getting worse, it was also included for intensive discussion," said Korean deputy finance minister Shin Je-yoon. He will co-chair the event along with Kim Jae-chun, a deputy governor at the Bank of Korea. During the meeting, participants are also expected to weigh in on the tax levy issue and other financial

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[183] *Reuters News* (May 27, 2010), "What G20 finance chiefs will discuss in South Korea."
[184] *Office of the Prime Minister of Canada* (May 28, 2010), "PM to visit United Kingdom and France."

regulation measures, amid growing demand for cooperative efforts to prevent similar financial crises in the future.[185] (May 18, 2010, *Yonhap English News*)

Brazilian president Lula said that the BRIC countries and South Africa must have a unique strategy at the next G20 meeting in Toronto. Lula said the five countries had defined a common strategy for the next G20 meeting. According to Lula, the countries intend to discuss their participation in the IMF and the World Bank, as well as financing and credit mechanisms. "If you arrive at a meeting with a common intent, you are halfway done convincing other countries such as France, Argentina and Mexico to get on our side. I think there is a good chance for us to make a great advance for Brazil in the international area," he said.[186] (April 19, 2010, *Xinhua News Agency*)

Canadian G8 and G20 sherpa Leonard Edwards visited India on March 2-3 to meet with his Indian G20 sherpa counterpart, deputy chair of the planning commission Montek Singh Ahluwalia. Edwards also participated in the annual India-Canada Foreign Policy Consultations, aimed at advancing numerous bilateral files, and discussion of regional and multilateral issues of mutual interest. As host of the G20 summit this summer, Canada has made global economic recovery a priority. Canada placed emphasis on the need to implement previous G20 commitments and for countries to continue to strengthen domestic financial regulatory systems and resist protectionism. In 2009, Canada and India worked closely together within the G20 to broker consensus around financial sector regulatory reforms. Edwards will meet with Ahluwalia to further strengthen cooperation among both countries in preparation for the June summit.[187] (March 3, 2010, *Asian News International*)

G20 finance ministers will meet in the Republic of Korea on June 4-5 to lay the groundwork for the Toronto Summit on June 26-27. The G20 is expected to follow up on a commitment made in 2009 to share their projections for their own economies, submit to a mutual assessment, and consider what changes might be needed to ensure balanced global growth in the future. The finance ministers will also meet in Washington on the eve of the annual spring meetings of the IMF and the World Bank on April 24-25. The G7 finance ministers also plan to gather separately in Washington.[188] (February 24, 2010, *Reuters News*)

Vice finance ministers and vice central bank governors from the G20, as well as representatives from seven global organizations including the IMF and the World Bank gathered in Songdo, Republic of Korea, at the end of February to discuss how to step up global cooperation in their economic and financial policies. The main agenda items included "how to cooperate in pushing for exit strategies, establishing a cooperative framework for sustainable balanced growth and improving financial regulations, governance and quota structures of international organizations," the Korean ministry said.

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[185] *Yonhap English News* (May 18, 2010), "G-20 officials to gather in Germany to talk cooperation."
[186] *Xinhua News Agency* (April 19, 2010), "Brazil's president stresses importance of BRIC's common strategy in G20."
[187] *Asian News International* (March 3, 2010), "Canadian G20 Sherpa to visit India ahead of summit."
[188] *Reuters News* (February 24, 2010), "G20 finance ministers plan June meetgin in Korea."

The talks helped set the agenda for upcoming meetings among finance ministers and central bank governors.[189] (February 24, 2010, *Yonhap English News*)

EU finance ministers planned to meet in Brussels on February 16, 2010, for an ECOFIN Council meeting that focused on the budget situations of several member states. Upon the request of Dutch finance minister Wouter Bos, they will discuss measures to tackle the ethics of propping up banks that are too big to fail and Barack Obama's recent proposals to slim down the size of the banks, banning retail banks from indulging in casino banking and speculating in hedge funds. The ministers hoped to reach common agreement on the EU's line before the June G20 summit.[190] (February 13, 2010, *Agence France Presse*)

Korean and German leaders held talks in Korea to discuss ways to boost cooperation at the G20 summit and facilitate the implementation of the free trade agreement between Seoul and the European Union.[191] (February 8, 2010, *Yonhap English News*)

Germany will host a high-level conference on regulating the financial markets ahead of the next G20 summit, said finance minister Wolfgang Schaeuble. "It is important not to weaken our international efforts to secure better regulation." The conference is planned for late May in Berlin, with finance ministers and central bank officials from the G20. Schaeuble hailed recent moves by U.S. president Barack Obama aimed at reforming markets and banks. "Something moving in the United States on this issue is a welcome development … It makes the chances of finding a common solution all the greater." Germany will be making its own proposals to this effect in the next few weeks, Schaeuble said. The FSB has said that it was considering moves like those planned by the Obama administration to cut the risks posed by big bank failures. The FSB welcomed the U.S. announcement and said it would publish its full recommendations in October 2010. It is to release an interim report after the G20 summit in June.[192] (January 23, 2010, *Reuters News*)

G20 finance ministers and central bank governors will gather in the Republic of Korea in June and October. They will meet in the southern port city of Busan in June and in the ancient city of Gyeongju in October. "Through advices from experts and consultations among relevant ministries, [we] selected the venues in consideration of various factors including the size and characteristics of the meetings, access to airport, conference and lodging facilities," the committee said in a press release. A forum of G20 vice finance ministers is scheduled to open in the western city of Incheon in late February, with the second session to be held in Gwangju.[193] (January 22, 2010, *Yonhap English News*)

High-ranking policy makers and central bank officials from the G20 will gather in the Republic of Korea in February to discuss ways to accelerate a global economic recovery

[189] *Yonhap English News* (February 24, 2010), "This year's first G20 meeting to kick off in S. Korea."
[190] *Agence France Presse* (February 13, 2010), "(EU) EU/ECOFIN COUNCIL: EU finance ministers to look at monitoring of excess deficit infringement proceedures and new ECB vice-president."
[191] *Yonhap English News* (February 8, 2010), "S. Korea, Germany to discuss G20, trade, reunification."
[192] *Reuters News* (January 23, 2010), "Berlin plans G20 financial oversight meeting."
[193] *Yonhap English News* (January 22, 2010), "G20 finance ministers' meeting due in June, October in S. Korea."

and prepare for the post-crisis era. The meeting will be attended by G20 vice finance ministers and vice governors of central banks on February 26-27 in Incheon. "How to accelerate the global economic rebound and how to manage the global economic system after the crisis will be among the top agenda items to be discussed at the February meeting," a finance ministry official said. In a related move, the Seoul government took over management of the official website for the G20 finance minister meeting (www.g20.org) from Britain on January 1, with a plan to run it until the end of 2010.[194] (January 18, 2010, *Yonhap English News*)

British financial services minister Paul Myners is hosting a meeting on January 25 to discuss proposals to protect taxpayers from investment bank failures in the future. Policymakers around the world are looking at ways to avoid costly bailouts in the event of another crisis. One option on the table is a resolution fund using cash raised by a global insurance levy on financial institutions. "We will continue to work with other countries through the G20 on developing proposals around an insurance levy," a treasury spokesman said. "A plan will only develop with full international agreement." Officials from G7 finance ministries, the IMF and academics will attend the meeting in London.[195] (January 15, 2010, *Reuters News*)

Mexico hosted a preparatory meeting of G20 foreign ministers on January 13 and 14. Officials discussed the rotating presidency of the G20, the frequency and duration of the G20 summits and the support structures offered to members between the summits. The meeting was co-chaired by Mexican deputy foreign minister Lourdes Aranda and U.S deputy foreign minister Michael Froman. The officials will meet again in Ottawa before the next G20 summit in Toronto.[196] (January 15, 2010, *Xinhua News Agency*)

Korea and the IMF are planning to host a high-level international conference on Asia in Seoul on July 12-13, 2010. The conference will bring together more than 300 leading figures from around the world to examine Asia's economic dynamism and evolving role in international policy making, including prominent business leaders, financial market experts, academics, civil society representatives and journalists, as well as finance ministers, central bank governors and other senior policymakers. "Asia is at an important crossroads," IMF managing director Dominique Strauss-Kahn said. "In a post-crisis world, Asia is well positioned to build on its strong macroeconomic track record and engage prominently in the debate on policy challenges facing the global economy." Built on the theme of transformation, the conference will present "a significant opportunity for all key players to share their insights on the challenges and opportunities facing Asia and the global economy in the next decade … and it will also underscore the IMF's renewed commitment to serving as a global partner for the region." Strauss-Kahn noted that he was delighted that the Korean authorities had agreed to co-host the conference. "As chair of the G20 process in 2010, Korea will be playing a critical role in shaping the global economic policy agenda this year, including on IMF reforms," he said. The four key objectives of the conference are to articulate a shared vision and common agenda for Asia

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[194] *Yonhap English News* (January 18, 2010), "S. Korea to host year's first G20 gathering in Feb."
[195] *Reuters News* (January 15, 2010), "UK to host meeting on future bank crisis protection."
[196] *Xinhua News Agency* (January 15, 2010), "Mexico hosts G20 summit preliminary meeting."

to support a strong global recovery, while drawing lessons from the past in a candid and constructive manner; showcase Asia's success in economic management and highlight lessons for other regions; examine Asia's economic growth model, its prospects going forward, and the implications for the global economy; and discuss the role of Asia in the international community, including the IMF, in this process.[197] (January 14, 2010, *Targeted News Service*)

Financial officials from the Republic of Korea, China and Japan met to strengthen financial ties among the three countries. On the sidelines of the FSB meeting, representatives from the three countries held a trilateral meeting, where they jointly sought ways to set up an Asian financial association in the FSB.[198] (January 11, 2010, *BBC Monitoring Asia Pacific*)

G20 vice-finance ministers will convene in Korea in February, followed by meetings between finance ministers and vice-ministers scheduled in June and September. Finance ministers will gather again in November just before the G20 summit in Seoul. Of the eight G20-related meetings scheduled to take place in 2010, Korea will hold five, all of which will help to fine-tune the agenda of the November summit.[199] (December 28, 2009, *BBC Monitoring Newsfile*)

The Korean government launched the Presidential Committee for the G20 Summit on November 9, 2009, and held its first meeting. The committee agreed that the November G20 Summit would be held in Seoul, considering that it requires a large convention center and lodging facilities that could accommodate the representatives from 35 countries and other international organizations. Over 10,000 people are expected to visit Korea for the summit.[200] (November 11, 2009, *Korea.net news*)

British finance minister Alistair Darling put the following agenda together for the November 6-7 G20 finance ministers meeting taking place in Scotland. Friday evening: international financial institutions, ensuring that the IFIs can fulfill their role in strengthening the financial system and restoring growth and focusing on the role they have in supporting the framework, addressing the challenges of climate change and combating macroeconomic shocks. Saturday: discussing a range of possible options for climate change finance in advance of Copenhagen, as an input into the UNFCCC; making substantive progress on governance and institutional arrangements where there are signs of convergence, as well as building on Friday's discussions on the role of the IFIs; launching the Framework for Strong, Sustainable and Balanced Growth and initiating a cooperative process of mutual assessment of policy frameworks, by reaffirming common objectives for the assessment process, agreeing on country inputs and determining how the IFIs can support the implementation of the framework; agreeing on a set of principles

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[197] *Targeted News Service* (January 14, 2010), "Korea and IMF to Co-Host a High-Level International Conference."

[198] *BBC Monitoring Asia Pacific* (January 11, 2010), "South Korea's financial watchdog chief meets Chinese, Japanese financial heads."

[199] *BBC Monitoring Newsfile* (December 28, 2009), "South Korea to host five high-ranking G20 meetings in 2010."

[200] *Korea.net news* (November 11, 2009), "Seoul launches G20 preparation committee."

to manage the withdrawal from support in a cooperative and coordinated way; and strengthening financial regulation and supervision, including meeting agreed upon deadlines. Finally, Korean finance minister Yoon Jeung-Hyun and Canadian finance minister Jim Flaherty will set out their plans for the G20 work program in 2010.[201] (November 3, 2009, *Reuters News*)

Canadian prime minister Stephen Harper will visit the Republic of Korea in December for summit talks with president Lee Myung-bak. Harper will arrive on December 6 and meet with Lee on December 7. The two leaders will discuss developing a "special partnership" between their countries and share views on trade, energy and resources cooperation. The leaders, who have already met twice in 2009, will also discuss ways to cooperate in hosting the upcoming G20 summit meetings in June in Canada and November in Korea.[202] (November 2, 2009, *Organisation of Asia-Pacific News Agencies*)

Canadian prime minister Stephen Harper will travel to Singapore, India and China in the fall of 2009. He will be in Singapore on November 14 to attend the annual summit of the Asia-Pacific Economic Cooperation leaders. He will travel to India on November 16-18. Harper will travel to China from December 2 to 6. "I personally believe it is important for Canada's interests for the prime minister to get to [China] as quickly as possible," said Peter Harder, a former deputy minister at the Department of Foreign Affairs and International Trade and now president of the Canada China Business Council.[203] (October 29, 2009, *Ottawa Citizen*)

Japanese finance minister Hirohisa Fujii will not attend the G20 finance ministers in St. Andrews, Scotland, at the beginning of November. He is skipping the meeting partly because of Japan's extraordinary parliamentary session. Senior vice finance minister Yoshihiko Noda is expected to take part in the meeting on behalf of Fujii.[204] (October 26, 2009, *Reuters News*)

The G20 finance ministers will meet in early June 2010. "It's possible we might have another meeting around the spring IMF meetings in Washington … as [the] G20 because all the ministers will be there," Canadian finance minister Jim Flaherty said.[205] (October 7, 2009, *Reuters News*)

### *Other Meetings*

At the G20 labour ministers meeting in Washington in April Korean labour and employment minister Yim Tae Hee emphasized the importance of developing occupational skills that can adeptly respond to the demands of the changing market

[201] *Reuters News* (November 3, 2009), "TEXT – Letter to G20 delegates from UK's Darling."
[202] *Organisation of Asia-Pacific News Agencies* (November 2, 2009), "Canadian PM to visit S. Korea next month."
[203] *Ottawa Citizen* (October 29, 2009), "Harper adds China to busy list of fall trips; Observers say stop is an important one ahead of G8, G20."
[204] *Reuters News* (October 26, 2009), "Japan finance minister to skip G20 next week-sources."
[205] *Reuters News* (October 7, 2009), "Canada to host G7 finance ministers early February."

environment such as clean energy and environmental sector. He also proposed that the G20 countries strengthen their support to developing countries in the area of vocational training. U.S. president Barack Obama requested his secretary of labor convene the G20 ministerial meeting at the Pittsburgh Summit in September. The participants adopted the result of discussions for the last two days as recommendation to G20 summits. The ministers of employment and labor visited the White House and directly delivered their recommendations to Obama.[206] (April 23, 2010, *States News Service*)

France is planning to organize a meeting of G20 agricultural ministers to discuss price volatility in agricultural commodities in 2010, French president Nicolas Sarkozy said. France holds the presidency of the G20 in 2011 and Sarkozy has indicated that regulation of agriculture will be on the group's agenda. "I have asked [French agriculture minister] Bruno Le Maire, as part of the French presidency of the G20, to organize a summit of agriculture ministers to discuss volatility in farm commodity markets and commodities in general," Sarkozy said.[207] (April 6, 2010, *Reuters News*)

South Africa will host the first meeting of G20 tourism ministers (T20) in Sandton, Johannesburg. The T20 will exclude the United States but include Spain. At the meeting the ministers will discuss how tourism can best assist the global economic recovery. Tourism is seen as a vital contributor to economic growth as well as a key job provider and is therefore vital in driving the economic recovery. According to the United Nations World Tourism Organization (UNWTO), tourism provides 6% of all jobs and contributes $1trillion, or 30%, towards world exports. The agenda will cover job creation, sustainability of markets and the building of an eco-friendly tourism sector. The ministers will issue a communiqué that will be delivered to the G20 leaders in June. The meeting will be chaired by tourism minister Marthinus van Schalkwyk and will include addresses from Taleb Rifai, secretary general of UNWTO, Jean-Claude Baumgarten, CEO of the World Travel and Tourism Council, and George Dragnich, executive director of the International Labour Organization.[208] (February 23, 2010, *BBC Monitoring Africa*)

South Africa will host the first meeting of G20 tourism ministers in February 2010 as part of the global response to unprecedented economic changes, tourism minister Marthinus van Schalkwyk said. "I can today announce that this meeting will take place from 22 to 24 February 2010 in Gauteng under the theme of travel and tourism: stimuli for G20 economies." Van Schalkwyk said the G20 had played a central role in discussing the strengthening of economic co-operation on a range of issues affecting the global economy. "Though not immune to the global economic downturn, tourism has so far resisted the financial crisis better than many other sectors, such as construction, real estate and car manufacturing," he said. "South Africa recorded 9.5 million arrivals in 2008, which constitutes an increase of 5.5% compared to 2007." This was better than the

[206] *States News Service* (April 23, 2010), "Labor Minister Addesses G20 Meeting of Labor and Employment Ministers."
[207] *Reuters News* (April 6, 2010), "France calls for G20 agriculture meeting next year."
[208] *BBC Monitoroing Africa* (February 23, 2010), "South Africa hosts first meeting of G20 tourism ministers."

global average of 2%.[209] (October 30, 2009, *South African Press Association*)

## 5. Site

As many as 10,000 uniformed officers and 1,000 private security guards may be on hand when Toronto hosts the G20 summit in June. The security could cost hundreds of millions of dollars, although police officials have yet to confirm how many officials will actually be deployed for the affair. For the G8 Muskoka Summit, the RCMP and the Ontario Provincial Police will require "approximately 4,000 personnel with duty-related belongings to be transported at different dates, times and locations," read a contract tendered for shuttle buses. "For the G20 Summit, the RCMP will require approximately 5,600 personnel with duty-related belongings to be transported at different dates, times and locations." However, RCMP Sergeant Michele Paradis said that "we won't ever give out the number" of police assigned to the G20 and G8 summits. The tender does not indicate where the guards will be stationed, but they will be outfitted with "Magnetometers," "walk-through metal detectors," "X-Ray belt driven scanners" and "hand-held metal detectors." For the Pittsburgh G20 Summit, 6,000 police and National Guard were called in the assist city police.[210] (April 7, 2010, *Globe and Mail*)

The Canadian government is expected to pay CA$179.4 million to plan and prepare security for this summer's G8 and G20 summits. In a recent briefing, Toronto city councillors were told the summits will represent the "largest security event in Canadian history," and supplementary funding estimates tabled in Parliament appear to support that statement. The RCMP, which is coordinating the security effort, will receive the biggest amount: CA$131.7 million. The Public Safety department will receive CA$32.1 million, the Department of National Defence CA$11.7 million, and Industry Canada CA$2.7 million. The budget breakdown confirms that the Canadian Security Intelligence Service will be involved, receiving CA$597,000 to "design, plan and co-ordinate security operations for the summits; provide the RCMP and its security partners with temporary accommodation facilities for the G8 summit; procure information technology and portable communication assets; work with federal, provincial and municipal security partners responsible for providing summit security; and ensure the safe keeping of all international protected persons attending the summits."[211] (March 3, 2010, *Canwest News Service*)

The Toronto G20 summit will be held at the Metro Toronto Convention Centre, Canadian labour minister Lisa Raitt announced. Raitt said the venue, which hosted the G7 in 1988, was selected for its accessibility, size and modern infrastructure. Security around the venue will be very tight and will be handled by the Toronto police force and the Royal Canadian Mounted Police. Officials will do everything possible to minimize disruption for residents while maximizing security for the leaders attending the summit. The bulk of

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209 *South African Press Association* (October 30, 2009), "SA to Host G20 Tourism Summit."
210 *Globe and Mail* (April 7, 2010), "Small army to protect city during June's G20 summit; Number of security personnel expected to exceed the Vancouver Olympics."
211 *Canwest News Service* (March 3, 2010), "Cost for securing G8, G20 summits up extra $179 million."

the meeting will take place on Sunday, June 27, which was chosen specifically to minimize the disruption to business.[212] (February 19, 2010, *Dow Jones News Service*)

The June G20 summit will be held at the Toronto Convention Centre. Tens of thousands of people are expected at the summit, making security and traffic direction a major issue. Since December 2009, the site had been considered the first choice, ahead of other options such as Exhibition Place.[213] (February 11, 2010, *Globe and Mail*)

Canadian prime minister Harper and Korean president Lee announced that the next G20 summit will take place in Toronto, Ontario on June 26-27, 2010. The exact location has yet to be confirmed, but officials have suggested that the leaders will meet at the Metro Toronto Convention Centre. The Metro convention centre is centrally located in Toronto and has experience with hosting top-security events, including the 1988 G7 summit and a meeting of NATO defence ministers in 1999.[214] (December 8, 2009, *Globe and Mail*)

At the end of November, the location for the June G20 summit had not yet been announced. Officials in Toronto were considering whether they could accommodate the event. Sources said plans were in the works to hold the summit in Toronto, but Prime Minister Harper had not announced or confirmed the location. Toronto was already planning to host three conferences of 10,000 attendees or more in June and the Metro Toronto Convention Centre, one possible location, was already booked for the entire month. Exhibition Place, where the Pope's 2002 visit took place, was another option. "Obviously we would bend over backwards," Exhibition Place chair Joe Pantalone said about the prospect of hosting the G20. "No decision has been made on the location," said Sarah MacIntyre, a spokesperson for Harper. The G20 summit will be preceded by the G8 summit, which will take place in Huntsville, Ontario. Tony Clement, minister of industry, was still trying to push the government to host the G20 in the same location. However, RCMP commissioner William Elliot said that hosting the G20 in Huntsville would be "difficult if not impossible."[215] (November 19, 2009, *Globe and Mail*)

### *Next Summit*

Establishing a global financial safety net will be a key agenda for the G20 summit in Seoul. Korean minister Yoon said that problems in the financial sector caused the latest global economic recession and that large piles of foreign reserves held by individual countries were not good enough to deal with the financial crisis on a global scale. The solution must be a safety net of a size that is proportional to the crisis. When asked what would be the main issues to be discussed at the G20 Seoul Summit, Yoon said concrete talks had not yet taken place. However, he said that measures would be discussed to avoid a repeat of the economic recession by assigning the financial businesses

[212] *Dow Jones News Service* (February 19, 2010), "June G20 Summit To Be Held At Metro Toronto Convention Centre."
[213] *Globe and Mail* (February 11, 2010), "G20 gathering booked for Toronto."
[214] *Globe and Mail* (December 8, 2009), "Security is summit's big challenge: Law enforcement agencies already have been working together for months."
[215] *Globe and Mail* (November 19, 2009), "Seven months to go, G20 site still up in the air."

responsibilities. Another topic of the meeting will be how to deal with the market turbulence and difficulties that emerging countries face when there is a sudden outflow of funds. “Simply piling up foreign exchange reserves against the turbulent market is not a positive way of solving the problem when considering the global economy,” he said, stressing that a worldwide safety net should be set up. Yoon also said that addressing global imbalance remains an urgent problem. “A crucial point is how to continue a strong economic recovery and ease global imbalances, considering the relations between countries in a current account surplus and those in deficit and between developed countries and emerging ones.” Initiating reforms of the IMF will also be centre-stage at the Seoul Summit.[216] (May 3, 2010, *Korea Times*)

The Republic of Korea launched a special police force to enhance security measures during the G20 summit that will be held in November. The security committee headed by NPA chief Kang Hee-rak will be responsible for all safety measures, including airport security, traffic control and food safety, during the G20 summit, during which more than 10,000 people including 35 heads of state and international organizations. The committee consists of 25 government-related agencies, it added, which includes the Presidential Security Service, the National Intelligence Service, the Ministry of National Defense, the National Police Agency, as well as the National Emergency Management Agency. “The G20 summit is the largest international conference to be held in the Republic of Korea, and therefore, we need to be prepared to provide complete security measures for a successful hosting of the event.”[217] (March 5, 2010, *Xinhua News Agency*)

The Republic of Korea has launched its G20 website. The opening of the site <www.seoulsummit.kr> came 250 days ahead of the start of the event scheduled for November 11-12, 2010. “The homepage will provide general information on the G20 summit, its significance, agenda, preparations for the conference, and related press releases.” The committee said it would open an official website, which will also include English and other language services, after June in consideration of the G20 summit to be held in Canada in that month. The committee added it will collect ideas and opinions from Internet users on the official website.[218] (March 5, 2010, *Yonhap English News*)

Korea may propose setting up an international cyber security body at the G20 summit in Seoul in November. “We are planning to propose organizing a comprehensive cyber security body with its headquarters possibly based in Seoul,” an official from the ministry of public administration and security said. The suggestion comes after a number of private and government websites in the U.S. and Republic of Korea encountered distributed denial-of-service attacks in July.[219] (February 22, 2010, *Xinhua News Agency*)

Japan hopes there is a link made between the November G20 Seoul Summit and the Asia-Pacific Economic Cooperation (APEC) forum that will take place immediately after. “It

[216] *Korea Times* (May 3, 2010), “Global safety net to be key G20 agenda.”
[217] *Xinhua News Agency* (March 5, 2010), “South Korea launches security committee for G20 summit.”
[218] *Yonhap English News* (March 5, 2010), “S. Korea partially opens Web site on G20.”
[219] *Xinhua News Agency* (February 22, 2010), “Seoul to propose international cyber security body at G20 summit.”

is important to connect APEC and G20 closely," said Toshinori Shigeie, Japan's ambassador to Korea. "I expect to see cooperation between Japan and the Republic of Korea, which is aimed at reflecting the voices of other Asia-Pacific countries that can not participate in the G20 … I anticipate that South Korea will show its leadership through the G20 by mediating the economic policies of developed and emerging nations." Shigeie also expressed caution about whether the G20 could develop into an international governance system capable of dealing with political and diplomatic issues, including North Korea's nuclear programs. "It is a difficult problem. The G20 summit was built as a ground for tackling the financial and economic crisis. As the global economy is still in an unpredictable situation, the priority lies with the problems we are now confronted with," he said. "The issues that the G20 should be focused on are those of finance and the economy. The currently expected agenda of the G20 is not directed toward the North Korean issues."[220] (February 18, 2010, *Yonhap English News*)

The Korean summit will be held in Seoul on November 11-12, 2010. Just ahead of the summit, Korea will also be organizing a business summit on November 10-11 to establish networks among CEOs and provide an opportunity for dialogue between global CEOs and G20 leaders.[221] (February 11, 2010, *US Fed News*)

Korean president Lee Myung-bak promised to step up efforts to reach out to non-members at the November G20 summit to narrow the development gap. "I cannot emphasize enough the importance of ensuring that the fruits of strong and sustainable growth are shared evenly among all countries, including the poorest," he said. "We will place on the agenda the establishment of what we call a 'Global Financial Safety Net' that can put in place a global mechanism for addressing such sudden reversals." The new arrangement seeks to build on the successful implementation of bilateral arrangements between central banks for dealing with sudden reversals of capital flows. The establishment of such a financial safety net will greatly contribute to the balanced growth of the global economy, now stricken by sharp differences in the level of development between advanced, emerging and poorer countries. "We will consult our G20 partners in placing development issues firmly on the agenda for the Seoul G20 summit," he said. "We will not limit our discussions to the G20 member countries, but instead will reach out to partners outside the G20. We will conduct extensive outreach efforts through consultations with the United Nations and regional bodies." Lee said Korea will take advantage of its experience and expertise with emerging and developing countries in formulating strategies for development. The president also announced a plan for a "Business Summit" in Seoul just ahead of the G20 summit to encourage the private sector, especially the business community, to play a bigger role in maintaining momentum for a recovery spurred by government-led stimulus measures. He reiterated his cautious approach toward exit strategies for rolling back expansionary fiscal and monetary policies and spoke out against protectionism. "An important task of the G20 is to follow up on the initiatives taken at previous summits on reform of financial regulation toward a more resilient global financial system and the reform of international financial

[220] *Yonhap English News* (February 18, 2010), "Japan stresses importance of linkage between."
[221] *US Fed News* (February 11, 2010), "Views of Association of Southeast Asian Nations Sought for G20 Agenda."

institutions such as the IMF and World Bank … In particular, concluding the Doha Development Agenda before the end of the year should be given the highest priority," he added. "It is time for the G20 to set the post-crisis agenda, and to build the platform that will ensure the sustained and balanced growth of the world economy in the months and years ahead … The November summit of the G20 in Seoul can be seen as the first major test of this new global forum as it attempts to establish itself as a regular feature of the framework for international economic cooperation."[222] (January 28, 2010, *Yonhap English News*)

The Republic of Korea will likely host a G20 summit on November 15, right after an APEC summit in Japan. Given the busy schedules of the leaders and officials of the G20, it would be timely to hold the summit then. The APEC summit is to be held in Yokohama from November 13-14. "The leaders of the G20 countries will be able to attend the Seoul summit right after the APEC meeting," said an official at the finance ministry. "We are preparing for the G20 summit on such scenario." The Convention and Exhibition Center (COEX) in Seoul is the likely venue for the summit.[223] (January 25, 2010, *Yonhap English News*)

While the fourth G20 Summit in Canada in June this year will focus on the agenda of the international economy's exit strategy from stimulus and recovery cycles, the Seoul meeting in November will delve into building a new economic order for the post-crisis era. Korean G20 planning officials are engaging in communications with various experts from the IMF, the World Bank, the WTO and many other international organizations to develop core agenda items for the summit. The committee has already reached agreements with the IMF and World Bank to hold joint workshops from February to April and is pursuing similar efforts with the OECD. Plans to encourage private sector participation are also being aggressively promoted by the committee at home and abroad. Seminars and conventions to be attended by domestic and foreign bank institutions are planned. The initial event of this sort was the committee's first meeting with the Washington D.C.-based Institute of International Finance in November last year. The presidential committee plans to finish writing the draft of the G20 Seoul Summit agenda by March. In the draft will be included the gist of discussions held by the Korean committee and its G20 counterparts. Major G20 agenda items discussed so far include sustainable economic development in the post-crisis era, a financial safety network, a trade safety network, structural reforms of international banking institutions and deregulation of the overall financial sector. Such international issues as development cooperation for developing and emerging economies, gathering financial resources to fight climate change, and food and energy security are also expected to be included in the main agenda items.[224] (January 21, 2009, *States News Service*)

The upcoming G20 summit slated for November in Seoul will likely focus on discussing financial and energy issues, as well as establishing a cooperation framework for

[222] *Yonhap English News* (January 28, 2010), "S. Korean leader vows 'outreach' to non-G20 members."
[223] *Yonhap English News* (January 25, 2010), "S. Korea to hold G20 summit Nov. 15: officials."
[224] *States News Service* (January 19, 2010), "Presidential G20 Committee Begins to Flesh Out Agenda."

sustainable growth, a government official said. "It is necessary to discuss the challenges and pending issues facing the world," said Choi Hee-nam, director of the presidential preparatory committee for the summit. "Major agenda points in this summit are expected to include establishing a framework to achieve sustainable growth, revamping international financial institutes such as the International Monetary Fund and securing stability in the energy market." Choi also said that participating countries are expected to discuss ways to strengthen the financial safety net and narrow the development gap between countries.[225] (January 19, 2010, *Korea Times*)

Three "floating islands," secured by anchors in the Han River, will be completed to be used as venues for the November G20 summit in Korea. The islands will have convention halls and will be connected to downtown Seoul. A total of 96.4 billion won will be allocated for the construction. One facility, scheduled to open in February, has 3,271 square metres of floor space. A convention hall that can accommodate up to 376 people, will be built together with restaurants, gardens and footpaths. "We will complete all construction by September," an official said, adding that important functions will be held before November's G20 summit so as to ensure that there are no glitches in hosting the event.[226] (January 10, 2010, *Korea Times*)

Korea's hosting of the G20 summit in 2010 is expected to be a turning point for the country. Policymakers call the hosting a diplomatic triumph as the summit will provide a venue for major economies to set the future course for the global economy. It also provides Korea with a crucial opportunity to reflect voices from developing countries in reforming the global financial sector and creating a new economic landscape. At the Pittsburgh Summit in late September, Korea gained unanimous support from participating countries as the host of the fifth summit, slated for November 2010. Canada will host the fourth on June 26-27 in Toronto. Korea is the first Asian country to host the forum. In early November 2009, Seoul was selected as the host city and launched a presidential panel to prepare for the summit, aiming to make it the biggest and most successful premier economic forum. "The hosting is a remarkable achievement for Korea and the Korean people. I will propose diverse solutions to help the world achieve sustainable growth following the economic crisis and address the issues of climate change, poverty and energy crisis," said President Lee Myung-bak. The administration will focus on developing the agenda in close cooperation with Canada, global organizations and economists. "I feel a great deal of responsibility," said Sakong Il, chair of the Presidential Committee for the G20 Summit. "At the Seoul summit, we will play a leading role in forming key global economic policies. I hope it will create momentum for the country in becoming a global economic power." The summit will be the largest international forum ever held in Korea, drawing an estimated 10,000 participants, including the leaders of more than 25 countries and major international organizations. Korea will also hold meetings for economic ministers, business leaders and working-level officials at various locations nationwide to ensure effective policy coordination among countries. The committee includes the minister of strategy and finance, the minister of foreign affairs and trade, the chair of the Financial Services Commission and most senior

[225] *Korea Times* (January 19, 2010), "Financial, Energy Issues Likely On G20 Agendas."
[226] *Korea Times* (January 10, 2010), "Seoul to Host G20 Summit on 'Floating Islands' on Han River."

presidential secretaries. An advisory group of foreign economists and business leaders will also be formed soon. Former Financial Services Commission vice-chair Lee Chang-yong will serve as the panel's secretary general, leading working-level policy coordination with participating countries. As the host, Korea has the right to invite some non-G20 members to the summit. The countries will be selected in early 2010. Nothing has been decided yet on the topics on the agenda. Those will be formed following consultations with countries and global organizations. Lee may propose a global deal to stop the downward spiral of the global economy and tackle surging unemployment rates. "The president will urge the world to lower trade barriers, saying removing barriers for trade and investment is key to overcoming the global crisis and spurring economic growth," said presidential spokesman Park Sun-kyu. The country is upbeat about the prospect of the G20 becoming the world's premier economic forum, replacing the more elite G8, which has excluded major emerging economies. "The G20 gathering became a regular forum and adopted an institutional framework through the Pittsburgh Summit. The shift to G20 from G8 is now occurring," said Shin Je-yoon, deputy finance minister. "We will also try to strengthen the role of the International Monetary Fund to more effectively stabilize financial and macroeconomic conditions. The World Bank will be given more power to coordinate the development agenda in the developing world." At the upcoming talks, Korea aims to play a leading role in mapping out post-crisis global economic programs and represent the interests of emerging economies to help the world achieve a more balanced growth.[227] (December 9, 2009, *Korea Times*)

The government may pick the Convention and Exhibition Center (COEX) in southern Seoul as the main venue for the November G20 summit. The source said organizers gave COEX high marks mainly due to the high standard of accommodation that can be offered to visiting leaders, although there were some concerns about security and traffic control. The convention centre is located in the busy Gangnam district. The official said the Korea International Exhibition Centre northwest of Seoul was dropped because of various construction works nearby and a lack of good hotels in the immediate vicinity. "A proposal to hold the summit on an artificial islet on the Han River was not examined because of security considerations," he said, adding that plans are being considered to hold official dinners in one of Seoul's palaces. In addition to the selection of venues, the government is looking to host a "Business 20" meeting on the sidelines of the G20 so top CEOs can meet and discuss outstanding issues. Insiders said exact details on the official name or other aspects of the proposed business meeting have not been decided, but heads of top 20 business group of each G20 country may be invited.[228] (December 5, 2009, *Yonhap English News*)

The port city of Incheon on the west coast of the Republic of Korea is seeking to host the G20 summit. It will request the Korean government's cooperation to hold the meeting if the country is chosen as the host country. A city official said that the Songdo region is an

[227] *Korea Times* (December 9, 2009), "Korea Gears Up For G20 Seoul Summit."
[228] *Yonhap English News* (December 5, 2009), "COEX likely to become for next year's G20 summit: source."

optimal venue with its cutting-edge convention facilities and proximity to Incheon International Airport.[229] (August 15, 2009, *KBS World News — English Edition*)

## 6. Civil Society and Other G20 Related Activities

Spouses will join their partners at a welcoming reception in Toronto on the first evening of the G20. They'll have their own private dinner that evening. On June 27, Laureen Harper will introduce the G20 spouses to prominent women from across Canada. So far, there's no hint of the guest list. Nor is there confirmation of which spouses will show up. Harper will give each spouse a gift which will represent the "rich and vibrant artistic community in Canada."[230] (June 4, 2010, *The Canadian Press*)

A G20 Business Summit is being organized by the Canadian Council of Chief Executives for June 25-26. Each G20 country will invite two representatives from its business community to attend the meeting to discuss issues relevant to the private sector, including "strengthening the economic recovery, financial sector reform, trade, development and innovation," Canadian finance minister Flaherty said. They will also have an opportunity for direct exchanges with G20 finance ministers. "It is my hope that the business summit will not only inform discussions by G20 leaders, but enable business to play an active role in finding practical solutions to the global challenges we all face," Flaherty said. "I look forward to hearing their advice on how to get the global economy firmly on the road to recovery."[231] (May 17, 2010, *Agence France Presse*)

Young leaders from the G20 will gather for a model summit ahead of the June G20 summit in Toronto. Ksenia Khoruzhnikova, head of the International Youth Diplomacy League, said the group decided to shift its focus to include a G20 component this year to reflect the changes that have taken place in the international system over the past two years. The league held competitive tenders across the countries to choose members of the delegations to the G8 and G20 youth summits, she said. The youth summits will convene in Canada on April 15-18 and May 9-14.[232] (April 5, 2010, *ITAR-TASS World Service*)

As this summer's G20 summit in Toronto approaches, Dennis Howlett, Canadian coordinator of Make Poverty History, said he is concerned about the possibility of a violent showdown between angry demonstrators and the unprecedented police presence planned for the city. A coalition of NGOs, labour and student groups including Make Poverty History launched a campaign called "At the Table" leading up to the G20 on June 26-27 aimed at pressing the Canadian government to increase its commitment to foreign aid. Howlett said the group also hopes to make its case before the summit as a way to dissipate the possibility of violent conflict. "We're trying the critical engagement

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[229] *KBS World News – English Edition* (August 15, 2009), "Incheon Seeks to Host G20 Summit."

[230] *Canadian Press* (June 4, 2010), "G8 spouses won't make it to Muskoka When leaders gather for summit, their partners are to stay in Toronto."

[231] *Agence France Presse* (May 17, 2010), "Canada FM Flaherty to host industry leaders ahead of G20."

[232] *ITAR-TASS World Service* (April 5, 2010), "G20 young leaders to gather ahead of G20 summit in Canada in mid-April."

approach," he said. When world leaders arrive in the city, his group plans to be inside the security barricade. The coalition has asked for 200 credentials for NGO representatives from around the world, allowing those who oppose the policies of G20 leaders to make their arguments directly to journalists inside the media tent. Outside the security barricade is where the credibility of protestors could be lost, the group acknowledged, if police and demonstrators clash in the downtown core. "Resist Toronto G20 Summit 2010," a Facebook group for protestors, has more than 800 people already confirming their attendance at a "day of action" during the summit. One of the group's administrators is vocal U.S. anti-war activist Cindy Sheehan, and comments on the group's discussion page range from simple questions about the demonstration's itinerary to "RIOT, RIOT, RIOT." On the group's Anarchist Forum, one member advised visitors to bring ear plugs as police will "be using the sound cannons." Stephen Lewis, former UN special envoy for HIV/AIDS in Africa, has said that the threat of violent demonstrations could undermine efforts to win concessions from world leaders. "You've got to keep those elements under control," he said. In addition to Canadian groups, a large contingent of protestors is expected from the U.S., most of them motivated by environmental issues, Howlett said. "There will also be protestors concerned with poverty, climate change and the economy," he said. "Each of those has a big constituency." The U.S. Social Forum, a social justice event, is expected to bring 30,000 activists to Detroit on June 22-26, many are expected to then travel to Toronto. Michelle Paradis, of the G8/G20 summit planning group, said police are already reaching out to protest planners and monitoring websites on which they are planning their events. "It's not keeping tabs — it's not unlike policing a city normally," she said. "You know the people who are expressly bent on wreaking havoc." The location of designated protest areas has not been confirmed, she said, and police will not predict how many demonstrators are likely to converge on the city. "Some event could happen tomorrow that could trigger a change of mood," she said. "On the other hand, it could be a rainy weekend and no one will come."[233] (March 9, 2010, *Globe and Mail*)

A gathering of business leaders from the G20 is being planned to coordinate with the summit in Seoul in November. The forum of the powerful business officials will be titled "B20," a senior government official said. "President Lee already discussed the plan with other leaders of the G20 nations when he attended the Asia-Pacific Economic Cooperation summit in Singapore last month … The discussion produced a plan for a global gathering of CEOs." The plan to hold the B20 conference on the sidelines of the G20 summit is aimed at examining the exit strategy from the stimulus packages used to counteract the global economic slowdown. "By November of next year, the world will mostly have escaped from the economic crisis, and the governments will begin implementing exit strategies from emergency measures taken to protect their economies," he said. "In the post-crisis days, investments and job creation by companies will become more important than fiscal stimulus plans to achieve stable development of the world economy." It remains unclear how many companies will be invited to attend the conference. "The G20 Seoul Summit preparation committee will consult with member nations on which companies will be invited … A plan to invite 20 companies each from

[233] *Globe and Mail* (March 9, 2010), "Protesters planning different paths to G20; Some groups are determined to make their cases peacefully; other are already pumping up the rhetoric in cyberspace."

the member nations was once discussed, but some said the discussions would be more efficient and substantial with fewer participants." Lee confirmed plans for the B20. "The world's 400 largest companies will visit Korea for the G20 [next year]," he said. "The top 20 companies of each G20 member nation will be invited for the gathering."[234] (December 7, 2009, *BBC Monitoring Asia Pacific*)

The Arab Society of Certified Accountants is organizing the "Arab Financial and Accounting Forum: The G20 Resolutions and Their Financial, Economic and Accounting Implications" in Beirut on December 22-23. The forum is an initiative of Talal Abu-Ghazaleh & Co. International and the Arab Society of Certified Accountants, in cooperation with the Bank of Lebanon, the Union of Arab Banks, the Association of Certified Accountants in Lebanon and the International Union of Arab Bankers. It will discuss various topics, including corporate governance, transparency test, stress test, cash flow test, fair value and hedging, securities, derivatives, investments and forensic accounting.[235] (December 2, 2009, *Al-Bawaba News*)

# 7. Appendices

## *List of Meetings*

### Leaders

- November 14-15, 2008: Summit on Financial Markets and the World Economy, Washington, DC
- April 1-2, 2009: London Summit, London, United Kingdom
- September 24-25, 2009: Pittsburgh Summit, Pittsburgh, U.S.
- June 26-27, 2010: Canadian-Korean Summit, Toronto, Ontario, Canada
- November 11-12, 2010: Korean Summit, Seoul, Republic of Korea

### Ministerials

- December 15-16, 1999: Meeting of G20 Finance Ministers and Central Bank Governors, Berlin, Germany
- October 25, 2000: Meeting of G20 Finance Ministers and Central Bank Governors, Montreal, Canada
- November 16-17, 2001: Meeting of G20 Finance Ministers and Central Bank Governors, Ottawa, Canada
- November 23, 2002: Meeting of G20 Finance Ministers and Central Bank Governors, New Delhi, India
- October 26-27, 2003: Meeting of G20 Finance Ministers and Central Bank Governors, Morelia, Mexico

[234] *BBC Monitoring Asia Pacific* (December 7, 2009), "Top business leaders plan to meet in South Korea on G20 summit sidelines."
[235] *Al-Bawaba News* (December 2, 2009), "The Arab Financial and Accounting Forum to be held in Beirut to discuss the 'G20 Resolutions.'"

- November 20-21, 2004: Meeting of G20 Finance Ministers and Central Bank Governors, Berlin, Germany
- October 15-16, 2005: Meeting of G20 Finance Ministers and Central Bank Governors, Xianghe, Hebei, China
- November 18-19, 2006: Meeting of G20 Finance Ministers and Central Bank Governors, Melbourne, Australia
- November 17-18, 2007: Meeting of G20 Finance Ministers and Central Bank Governors, Kleinmond, Cape Town, South Africa
- October 11, 2008: Meeting of G20 Finance Ministers and Central Bank Governors, Washington, DC
- November 8-9, 2008: Meeting of G20 Finance Ministers and Central Bank Governors, Sao Paulo, Brazil
- March 14-15, 2009: Meeting of G20 Finance Ministers and Central Bank Governors, Horsham, UK
- April 14, 2009: Meeting of G20 Finance Ministers and Central Bank Governors, Washington, DC
- November 6-7, 2009: Meeting of G20 Finance Ministers and Central Bank Governors, St. Andrews, Scotland, UK
- April 22-23, 2010: Meeting of G20 Finance Ministers and Central Bank Governors, Washington, DC
- June 3-5, 2010: Meeting of G20 Finance Ministers and Central Bank Governors, Busan, Korea
- October 9-11, 2010: Meeting of G20 Finance Ministers and Central Bank Governors, Washington, DC
- 2010: Meeting of G20 Finance Ministers and Central Bank Governors, Gyeongju, Korea

### Sherpas

- January 13-14, 2010: Meeting of G20 Sherpas, Mexico City, Mexico
- March 18-19, 2010: Meeting of G20 Sherpas, Ottawa, Canada
- May 24-25, 2010: Meeting of G20 Sherpas, Calgary Canada
- June 22-24, 2010: Meeting of G8/G20 Sherpas, Canada

### Deputies

- February 27-28, 2010: Meeting of G20 Deputy Finance Ministers, Incheon, Songdo, Korea
- June 3-4, 2010: Meeting of G20 Deputy Finance Ministers, Korea
- September, 2010: Meeting of G20 Deputy Finance Ministers, Gwangju, Korea

### Workshops

- April 2010: G20 Workshop on Energy Security, Saudi Arabia
- May 2010: G20 Workshop on Financial Regulatory Reform, Canada

• July 2010: G20 Workshop on Macro Framework, France

### Other

• February 22-24, 2010: Meeting of G20 Tourism Ministers, Johannesburg, South Africa
• April 20-21, 2010: Meeting of G20 Labour Ministers, Washington, DC

### G20 Leaders' Experience

(as of June 14, 2010)

| Country | Leader | Most Recent Election | Next Election | # of G8 summits attended | # of G20 summit attended |
|---|---|---|---|---|---|
| Argentina | Cristina Fernández de Kirchner | 28 Oct 2007 | 2011 | 0 | 3 |
| Australia | Kevin Rudd | 24 Nov 2007 | By 16 April 2011 | 2 | 3 |
| Brazil | Luiz Inácio Lula da Silva | 29 Oct 2006 | 3 October 2010 | 6 | 3 |
| Canada | Stephen Harper | 14 Oct 2008 | By 15 October 2012 | 4 | 3 |
| China | Hu Jintao | 15 Mar 2008 | 2013 | 6 | 3 |
| France | Nicolas Sarkozy | 22 Apr /6 May 2007 | 2012 | 3 | 3 |
| Germany | Angela Merkel | 18 Sep 2005 | 27 September 2009 | 4 | 3 |
| India | Manmohan Singh | May 2009 | By 2014 | 5 | 3 |
| Indonesia | Susilo Bambang Yudhoyono | 8 Jul 2009 | 2014 | 2 | 3 |
| Italy | Silvio Berlusconi | 13-14 Apr 2008 | Variable | 8 | 3 |
| Japan | Naoto Kan | 8 Jun 2010 | By 2014 | 0 | 0 |
| Korea | Lee Myung-bak | 19 Dec 2007 | 2012 | 2 | 3 |
| Mexico | Felipe de Jesús Calderón Hinjosa | 2 Jul 2006 | 2012 | 3 | 3 |
| Russia | Dmitry Medvedev | 2 Mar 2008 | 2012 | 2 | 3 |
| Saudi Arabia | Adbullah bin Abdul Aziz Al Saud | NA | NA | 0 | 3 |
| South Africa | Jacob Zuma | 22 Apr 2009 | 2014 | 1 | 1 |
| Turkey | Tayyip Erdoğan | 22 Jul 2007 | Variable | 1 | 3 |
| UK | David Cameron | 6 May 2010 | By 11 June 2015 | 0 | 0 |
| U.S. | Barack Obama | 4 Nov 2008 | November 2012 | 1 | 2 |
| EU | José Manuel Barroso | 4-7 June 2009 | June 2014 | 5 | 3 |
| Average | | | | 2.75 | 2.55 |

### *List of G20 Finance Ministers and Central Bank Governors, 1999-2009*

| Country | Finance Minister | Term | Central Banker | Term |
|---|---|---|---|---|
| Argentina | Amado Boudou | July 8- | Mercedes Marcó del Pont | February 3, 2010 - |
| | | | Martín Redrado | September 24, 2004-January 7, 2010 |
| | Carlos Fernández | April 25, 2008-July | Alfonso Prat Gay | December 11, 2002- |

| Country | Finance Minister | Term | Central Banker | Term |
|---|---|---|---|---|
| | | 7, 2009 | | September 23, 2004 |
| | Martín Lousteau | December 10, 2007-April 24, 2008 | Aldo Pignanelli | June 25, 2002-December 10, 2002 |
| | Miguel Gustavo Peirano | July 16, 2007-December 9, 2007 | Mario I. Blejer | January 28, 2002-June 24, 2002 |
| | Felisa Miceli | November 28, 2005-July 15, 2007 | Roque Maccarone | April 25, 2001-January 18, 2002 |
| | Roberto Lavagna | April 27, 2002-November 27, 2005 | Pedro Pou | August 5, 1996-April 24, 2001 |
| | Jorge Remes Lenicov | January 3, 2002-April 27, 2002 | | |
| | Rodolfo Frigeri | December 23, 2001-December 30, 2001 | | |
| | Jorge Capitanich | December 21, December 22, 2001 | | |
| | Domingo Cavallo | March 20, 2001-December 19, 2001 | | |
| | Ricardo López Murphy | March 5, 2001-March 19, 2001 | | |
| | José Luis Machinea | December 10, 1999-March 2, 2001 | | |
| Australia | Wayne Swan | December 3, 2007- | Glenn Robert Stevens | September 18, 2005- |
| | Peter Costello | March 11, 1996-December 2, 2007 | Ian John Macfarlane | September 1996-September 17, 2006 |
| Brazil | Guido Mantega | March 27, 2006- | Henruique de Campos Meirelles | January 1, 2003- |
| | Antonio Palocci | January 1, 2003-March 27, 2006 | Arminio Fraga Neto | April 3, 1999-January 1, 2003 |
| | Pedro Malan | January 1, 1995-December 31, 2002 | | |
| Canada | James Flaherty | February 6, 2006- | Mark J. Carney | February 1, 2008- |
| | Ralph Goodale | December 12, 2003-February 6, 2006 | David Dodge | February 1, 2001-January 31, 2008 |
| | John Manley | June 2, 2002-December 12, 2003 | Gordon Thiessen | February 1, 1994-January 31, 2001 |
| | Paul Martin | November 4, 1993-June 2, 2002 | | |
| China | Xie Xuren | August 31, 2007- | Zhou Xiaochuan | December 2002- |
| | Jin Renqing | March 2003-August 30, 2007 | Dai Xianglong | June 1995-December 2002 |
| | Xiang Huaicheng | March 1998-March 2003 | | |
| France | Christine Lagarde | June 19, 2007- | Christian Noyer | November 1, 2003- |
| | Jean-Louis Borloo | May 18, 2007-June 19, 2007 | Jean-Claude Trichet | September 1993-October 31, 2002 |
| | Thierry Breton | February 25, 2005-May 18, 2007 | | |
| | Hervé Gaymard | November 30, 2004-February 25, | | |

| Country | Finance Minister | Term | Central Banker | Term |
|---|---|---|---|---|
| | | 2005 | | |
| | Nicolas Sarkozy | March 31, 2004-November 28, 2004 | | |
| | Fracis Mer | May 7, 2002-March 31, 2004 | | |
| | Laurent Fabius | March 28, 2000-May 7, 2002 | | |
| | Christian Sautter | November 2, 1999-March 28, 2000 | | |
| Germany | Wolfgang Schäubble | October 28, 2009- | Axel A. Weber | April 30, 2004- |
| | Peer Steinbrück | November 22, 2005-October 27, 2009 | Ernst Welteke | September 1, 1999-April 16, 2004 |
| | Hans Eichel | April 12, 1999-November 21, 2005 | | |
| India | Pranab Mukherjee | January 24, 2009- | Duvvuri Subbarao | September 5, 2008- |
| | Manmohan Singh | November 30, 2008-January 24, 2009 | Y.V. Reddy | September 6, 2003-September 5, 2008 |
| | P. Chidambaram | May 22, 2004-November 20, 2008 | Bimal Jalan | November 22, 1997-September 5, 2003 |
| | Jaswant Singh | July 2002-May 21, 2004 | | |
| | Yashwant Sinha | March 1998-July 2002 | | |
| Indonesia | Agus Martowardojo | May 20, 2010 - | | |
| | Sri Mulyani Indrawati | December 7, 2005-May 5, 2010 | | |
| | Jusuf Anwar | October 20, 2004-December 7, 2005 | Boediono | 2008-May 19, 2009 |
| | Boediono | August 9, 2001-August 20, 2004 | Burhanuddin Abdullah | 2003-2008 |
| | Rizal Ramli | June 12, 2001-August 9, 2001 | Syahril Sabirin | 1998-2003 |
| | Prijadi Praptosuhardjo | August 26, 2000-June 12, 2001 | | |
| | Bambang Sudibyo | October 23, 1999-August 26, 2000 | | |
| Italy | Giulio Tremonti | May 8, 2008- | Mario Draghi | January 16, 2006- |
| | Tommaso Padoa-Schioppa | May 17, 2006-May 8, 2008 | Antonio Fazio | April 28, 1993- December 19, 2005 |
| | Giulio Tremonti | April 23, 2005, May 17, 2006 | | |
| | Domenico Siniscalco | July 16, 2004-September 22, 2005 | | |
| | Silvio Berlusconi | July 3, 2004-July 16, 2004 | | |
| | Giulio Tremonti | June 11, 2001-July 3, 2004 | | |
| | Vincenzo Visco | April 25, 2000-July 10, 2001 | | |

| Country | Finance Minister | Term | Central Banker | Term |
|---|---|---|---|---|
| | Giuliano Amato | May 13, 1999-April 25, 2000 | | |
| Japan | Yoshihiko Noda | June 8, 2010 - | Masaaki Shirakawa | April 9, 2008- |
| | Naoto Kan | January 6, 2010-June 8, 2010 | | |
| | Hirohisa Fujii | September 16, 2009-January 6, 2010 | Toshihiko Fukui | March 20, 2003-March 19, 2009 |
| | Kaoru Yosano | February 18, 2009-September 15, 2009 | Masaru Hayami | March 20, 1998-March 19, 2003 |
| | Shoichi Nakagawa | September 24, 2008-February 17, 2009 | | |
| | Bunmei Ibuki | August 1, 2008-September 24, 2008 | | |
| | Fukushiro Nukaga | August 27, 2007-July 31, 2008 | | |
| | Koji Omi | September 26, 2006-August 26, 2007 | | |
| | Sadakazu Tanigaki | September 22, 2003-September 26, 2006 | | |
| | Masajuro Shiokawa | 2002-2003 | | |
| | Kiichi Miyazawa | July 1999-January 31, 2001 | | |
| Korea | Yoon Jeung-Hyun | February 10, 2009- | Kim Choong-soo | March 31, 2010- |
| | Kang Man Soo | February 2008-February 2009 | Seongtae Lee | April 1, 2006-March 31, 2010 |
| | Okyu Kwon | July 18, 2006-February 25, 2008 | Seung Park | April 2002-March 2006 |
| | Deog Su Han | March 2005-July 2006 | Chol-Hwan Chon | 1998-April 2002 |
| | Hun-Jai Lee | February 2004-March 2005 | | |
| | Jin-pyo Kim | February 2003-February 2004 | | |
| | Yun Churl Jeon | April 2002-February 2003 | | |
| | Nyum Jin | August 2000-April 2002 | | |
| | Hun-Jae Lee | January 2000-August 2000 | | |
| | Bong kyun Kang | May 1999-January 2000 | | |
| Mexico | Ernesto J. Cordero | December 9, 2009- | Agustín Carstens | January 1, 2010- |
| | Agustín Carstens | December 1, 2006-December 9, 2009 | Guillermo Ortiz Martínez | January 1, 1998-December 31, 2009 |
| | Francisco Gil Díaz | December 1, 2000-November 30, 2006 | | |
| | J. Ángel Gurría | January 1, 1998-November 30, 2000 | | |
| Russia | Alexei Leonidovich Kudrin | May 7, 2000- | Sergey M. Ignatyev | March 20, 2002- |

| Country | Finance Minister | Term | Central Banker | Term |
|---|---|---|---|---|
| | Mikhail Kasyanov | May 1999-May 2000 | Viktor Vladimirovich Gerashchenko | 1991-March 2002 |
| Saudi Arabia | Ibrahim Abdulaziz Al-Assaf | January 1996- | Muhammed Al-jasser | February 28, 2009- |
| | | | Hamad Ibn Saud Al-Sayari | 1983-February 27, 2009 |
| South Africa | Pravin Jamnadas Gordhan | May 11, 2009 | Gill Marcus | November 9, 2009- |
| | Trevor Manuel | 1996-May 10, 2009 | Tito Mboweni | August 8, 1999-November 9, 2009 |
| Turkey | Mehmet Şimşek | May 1, 2009- | Durmuş Yilmaz | April 18, 2006- |
| | Kemal Unakitan | November 19, 2002-May 1, 2009 | Süreyya Serdengeçti | March 14, 2001-March 13, 2006 |
| | Sümer Oral | May 28, 1999-November 19, 2002 | Gazi Erçel | April 1996-March 13, 2001 |
| UK | George Osborne | May 12, 2010- | Mervyn A. King | June 30, 2003- |
| | Alistair Darling | June 28, 2007-May 12, 2010 | | |
| | Gordon Brown | May 2, 1997-June 27, 2007 | Edward A. J. George | 1993-June 30, 2003 |
| U.S. | Timothy Geithner | January 26, 2009- | Ben Bernanke | February 1, 2006- |
| | Henry Paulson | July 3, 2006-January 20, 2009 | Alan Greenspan | August 11, 1983-January 31, 2006 |
| | John Snow | February 3, 2003-June 28, 2006 | | |
| | Paul O'Neill | January 20, 2001-December 31, 2002 | | |
| | Lawrence Summers | July 2, 1999-January 20, 2001 | | |
| EU | Represented by the finance minister of the country holding the Presidency of the Council of the EU | Jean-Claude Trichet | November 1, 2003- | |
| | | Wim Duisenberg | July 1, 1998-October 30, 2003 | |

## *G20 Sherpas*

| **COUNTRY** | **SHERPA** |
|---|---|
| **ARGENTINA** | Hector Timerman |
| **AUSTRALIA** | Andrew Charlton |
| **BRAZIL** | Pedro Luiz Carneiro de Mendonça |
| **CANADA** | Len Edwards |
| **CHINA** | Tiankai Cui |
| **FRANCE** | Xavier MUSCA |
| **GERMANY** | Jens Weidmann |
| **INDIA** | Montek Ahluwalia |
| **INDONESIA** | Mahendra Siregar |
| **ITALY** | Bruno Archi |
| **JAPAN** | Yoichi Otabe |
| **MEXICO** | Lourdes Aranda |
| **REPUBLIC OF KOREA** | Changyong RHEE |
| **RUSSIA** | Arkady Dvorkovich |
| **SAUDI ARABIA** | Hamad Al Bazai |
| **SOUTH AFRICA** | Mandisi Mpahlwa |
| **TURKEY** | Mr.Hakkı Akil |
| **UNITED KINGDOM** | Jon Cunliffe |
| **UNITED STATES** | Michael Froman |
| **EUROPEAN COMMISSION** | Franciskus van Daele |

## *Members of G20, Gleneagles Dialogue and Major Economies Forum*

| G20 Leaders/Finance | Gleneagles Dialogue | Major Economies Forum |
|---|---|---|
| Argentina | | |
| Australia | Australia | Australia |
| Brazil | Brazil | Brazil |
| Canada | Canada | Canada |
| China | China | China |
| France | France | France |
| Germany | Germany | Germany |
| India | India | India |
| Indonesia | Indonesia | Indonesia |
| Italy | Italy | Italy |
| | Iran | |
| Japan | Japan | Japan |
| Mexico | Mexico | Mexico |
| | Nigeria | |
| | Poland | |
| Republic of Korea | | Republic of Korea |
| Russia | Russia | Russia |
| Saudi Arabia | | |
| South Africa | South Africa | South Africa |
| | Spain | |
| Turkey | | |
| United Kingdom | United Kingdom | United Kingdom |
| United States | United States | United States |
| European Union | European Union | European Union |

The managing director of the International Monetary Fund and the president of the World Bank also participate. The chairs of the International Monetary and Financial Committee and Development Committee of the IMF and World Bank also participate on an ex-officio basis.

## *G20 Leaders' Biographies*

**Argentina's Cristina Fernández de Kirchner** became president of Argentina on December 10, 2007 after winning the general election in October. She replaced her husband, Néstor Kirchner, who was president from May 2003 to December 2007. She is Argentina's second female president, but the first to be elected. Prior to her current position, she was a senator for Beunos Aires province and Santa Cruz province. She was first elected to the Senate in 1995, and in 1997 to the Chamber of Deputies. In 2001 she won a seat in the Senate again. Born on February 19, 1954, in La Plata, Buenos Aires, she studied law at the National University of La Plata. She and her husband were married in March 1975 and have two children.

**Australia's Kevin Rudd** became prime minister of Australia on December 3, 2007, replacing John Howard, who had held the position since 1996. Before entering into politics, Rudd worked for the Department of Foreign Affairs, where he held posts in Stockholm, Sweden and China. He also spent time as a political staffer and held positions that included chief of staff for the premier of Queensland and director general of the office of the Queensland cabinet. Rudd first ran for office in 1996, but was not successfully elected until 1998. Since then he has served in various positions including shadow minister of foreign affairs and leader of the opposition. He was born in Nambour, Queensland, on September 21, 1957. He earned a bachelor's degree Asian studies at Australian National University in 1981, where he focused on Chinese language and history. He and his wife, Thérèse Rein, have three children.

**Brazil's Luiz Inácio Lula da Silva** first assumed the office of the president on January 1, 2003, after being successfully elected in October 2002. He was re-elected in October 2006, extending his term until January 2011. "Lula" first ran for office in 1982 in the state of Sao Paulo, but it was not until 1986 that he was first elected to congress. He did not run for re-election in 1990. Instead, he became more involved in the Workers' Party, where he continued to run for the office of the president. He was born in Caetés, Pernambuco, Brazil, on October 27, 1945. He received no formal education and began working in a copper pressing factory at the age of 14. He became heavily involved in the workers unions at a young age. He is married to Marisa Letícia and has five children.

**Canada's Stephen Harper** was first elected prime minister of Canada in January 2006, assuming office from Paul Martin in February and leading a minority government. He later ran for re-election in October 2008 and returned to the House of Commons with a stronger minority. Before running for politics he served as a policy advisor for the Reform Party. Harper first ran for a seat in the House of Commons in 1988, but was not successfully elected until 1993. He served as leader of the opposition for a number of years before becoming prime minister. He was born in Toronto, Ontario, on April 30, 1959. He did studied economics at the University of Toronto and the University of Calgary, later returning to the University of Calgary to earn his master's degree in economics in 1991. He and his wife, Laureen Harper, have two children.

**China's Hu Jintao** has been president of the People's Republic of China since March 15, 2003. He replaced Jiang Zemin, who had held the position since 1989. Hu also serves as general secretary of the Communist Party of China's (CPC) Central Committee and chair of the Central Military Commission. Before entering into politics he worked as an engineer. He joined the CPC in April 1964, and began working with the party in 1968. In 1992, he was elected to the Standing Committee of the Political Bureau of the CPC Central Committee and re-elected in 1997. He became vice-president of China in March 1998 and vice-chair of the Central Military Commission in 1999. In November 2002, Hu was elected general secretary of the CPC Central Committee. He was born in Jiangyan, Jiangsu, on December 21, 1942. In 1965 he received his engineering degree from Tsinghua University. He is married to Lui Yongqing and they have two children.

**France's Nicolas Sarkozy** became president of France on May 16, 2007, taking over from Jacques Chirac, who had held the position since 1995. He worked as a lawyer while he pursued politics. From 1983 to 2002, he was mayor of Neuilly-sur-Seine. He has been president of the Union pour un Mouvement Populaire, France's major right-wing party, since 2004. During his time in parliament he has held a number of cabinet portfolios including minister of state of economy, finance and industry, minister of the budget and minister of the interior. He was born in Paris on January 28, 1955. In 1978, he received his law degree from the Université de Paris. He is married to Carla Bruni and has three children from his two previous marriages.

**Germany's Angela Merkel** became the first female chancellor of Germany on November 22, 2005, replacing Gerhard Schröder who had been in power since 1998. Before entering into politics Merkel worked as a researcher and physicist. She was first elected to the Bundestag in 1990 and has held the cabinet portfolios of women and youth, environment, nature conservation and nuclear safety. She was born in Hamburg on July 17, 1956. In 1978, she received her doctorate in physics from the University of Leipzig. She is married to Joachim Sauer and has no children.

**India's Manmohan Singh** was re-elected prime minister of India in May 2009. He was first elected in 2004 when he replaced Atal Bihari Vajpayee. Before entering into politics, Singh worked as an economist, including for the International Monetary Fund. He was governor of the Reserve Bank of India from 1982 to 1985. Singh was first elected to the upper house of Indian parliament in 1995. He was re-elected in 2001 and 2007 and held cabinet positions including minister of finance and minister for external affairs. Singh also served as minister of finance from November 2008 to January 2009. He was born in Gah, Punjab (now known as Chakwal district, Pakistan), on September 26, 1932. He received his bachelor's and master's degrees from Punjab University in 1952 and 1954. He also received an additional undergraduate degree from Cambridge University in 1957 and a PhD from Oxford University in 1962. He and his wife, Gursharan Kaur, have three children.

**Indonesia's Susilo Bambang Yudhoyono** re-elected president in July 2008. He first became president on October 20, 2004, after winning the election in September, replacing the incumbent Megawato Sukarnoputri. Before entering into politics, he served as a lecturer and a military general. His first experience in politics came when he was appointed minister of mines and energy in 1999. He later served as co-ordinating minister for politics and security. He was born on September 9, 1949, in Pacitan, East Java. He received his doctorate in agricultural economics from the Bogor Institute of Agriculture in 2004. He and his wife, Kristiani Herawati, have two children.

**Italy's Silvio Berlusconi** became prime minister of Italy for the fourth time after winning the April 2008 election. Before entering politics, he started his career as a building contractor. In 1980, he established Canale 5, the first private national television network in Italy. He also became a leading Italian publisher with Mondadori. In 1994 he resigned from all his posts at Gruppo Fininvest in order to establish the political movement Forza Italia and, in the same year, he became president of the Council of Ministers for the first time. In June 2001 Berlusconi became premier again, an office he held until 2006. In 2009, for the third time, he chairs the presidency of the G8. Born in Milan on September 29, 1936, he received his law degree from the University of Milan. He is married to Veronica Lario and has five children.

**Japan's Naoto Kan** became prime minister of Japan in June 2010, replacing Yukio Hatoyama, who had held the position since September 2009. Kan was first elected to the

House of Representatives in 1980. He served as minister of health and welfare, minister of state for science and technology, deputy prime minister and minister of finance during his time in politics. Kan was born in Ube City, Yamaguichi Prefecture on October 10, 1946. He graduated from the Tokyo Institute of Technology in 1970 and opened a patent office in 1974. Kan is married and has two children.

**Korea's Lee Myung-bak** became president on February 25, 2008, replacing Roh Moo-hyun, who had occupied the position since 2003. Lee joined the Hyundai Construction company in 1965 and eventually became chief executive officer of the Hyundai Group before being elected to the Korean National Assembly in 1992. In 2002 he was elected mayor of Seoul, a position he held until 2006. He was born in Kirano, Osaka, Japan on December 19, 1941. He received a degree in business administration from Korea University in 1965. Lee and his wife, Kim Yun-ok, have four children.

**Mexico's Felipe Calderón Hinojosa** became president of Mexico on December 1, 2006, replacing Vicente Fox, who held the position from 2000 to 2006. In his early twenties Calderón was president of the youth movement of the National Action Party. He later served as a local representative in the legislative assembly in the federal chamber of deputies. In 1995 he ran for governor of Michaocán. He served as secretary of energy from 2003 to 2004. Born in Morelia, Michoacán, on August 18, 1962, he received his bachelor's degree in law from Escuela Libre de Derecho in Mexico City. He later received a master's degree in economics from the Instituto Tecnológico Autónomo de México as well as a master's degree in public administration from Harvard University. He and his wife, Margarita Zavala, have three children.

**Russia's Dmitry Medvedev** became president of Russia on May 7, 2008, after winning the presidential election in March, replacing Vladmir Putin, whose term in office had expired. Before entering politics, Medvedev worked as a legal expert and lawyer. He was officially endorsed as a presidential candidate on December 17, 2007, by Russia's largest political party, United Russia, as well as by Putin. Medvedev served as deputy prime minister from 2005 to 2008. He was born in Leningrad (now St. Petersburg) on September 14, 1965. He earned a degree in law in 1987 and a doctorate in private law in 1990 from Leningrad State University. He is married to Svetlana Medvedeva and they have one child.

**Saudi Arabia's King Abdullah bin Adbul Aziz Al Saud** has been in power since August 2005. He replaced Fahd bin Abdul Aziz Al Saud, who had reigned since June 1982. As crown prince since 1987, King Abdullah had previously acted as *de facto* regent and thus ruler since January 1, 1996, after Fahd had been debilitated by a stroke. He was formally enthroned on August 3, 2005. He also serves as prime minister of Saudi Arabia and commander of the National Guard. King Abdullah is chair of the supreme economic council, president of the High Council for Petroleum and Minerals, president of the King Abdulaziz Centre for National Dialogue, chair of the Council of Civil Service and head of the Military Service Council. He was born August 1, 1924, in Riyadh and has a number of wives and children.

**South Africa's Jacob Zuma** became president of South Africa on May 9, 2009, succeeding Petrus Kgalema Motlanthe, who had held the position since September 2008. Zuma joined the ANC in 1958 and started serving in the National Executive committee of the African National Congress (ANC) in 1977. In 1994, Zuma was elected National Chair of the ANC and chair of the ANC in KwaZulu-Natal. He was re-elected to the latter position in 1996 and selected as the deputy president of the ANC in December 1997. Zuma was appointed executive deputy president of South Africa in 1999. He held that position until 2005 and was elected ANC president at the end of 2007. He was born April 12, 1949, in Inkandla, KwaZulu-Natal Province. He has three wives and several children.

**Turkey's Recep Tayyip Erdoğan** became prime minister of Turkey on March 14, 2003, replacing Abdullah Gül, who had occupied the office since 2002. Before becoming prime minister, Erdoğan was mayor of Istabul from 1994 to 1998. He was born on February 26, 1954, in Rize, Turkey, and studied management at Marmar University's faculty of economics and administrative sciences. He is married to Emine Erdoğan and has two children.

The **United Kingdom's David Cameron** became prime minister of the United Kingdom of Great Britain and Northern Ireland in May 2010. He was first elected to parliament in 2001 as representative for Witney. Before becoming a politician Cameron worked for the Conservative Research Department and served as a political strategist and advisor to the Conservative Party. He has served as party leader since December 2005. Born in London, England, on October 9, 1966, Cameron received a bachelor's degree in philosophy, politics and economics at the University of Oxford. He is married to Samantha Sheffield and had three children, one who passed away in 2009.

The **United States of America's Barack Obama** became president-elect on November 4, 2008, and was inaugurated January 20, 2009, replacing George W. Bush. In 2005 Obama was elected to the Senate, having previously worked as a community organizer, a civil rights lawyer and a state legislator for Illinois. The first black president of the United States, he was born on August 4, 1961, in Honolulu, Hawaii, to a Kenyan father and American mother. He received his bachelor's degree from Columbia University in 1983 and a law degree from Harvard University in 1991. He is married to Michelle Obama and they have two children.

The **European Union's José Manuel Barroso** became president of the European Commission on November 23, 2004. He was re-elected to the position on September 16, 2009. Previously he was prime minister of Portugal from 2002 to 2004. Before entering politics Barroso was an academic. He studied law at the University of Lisbon, holds a master's degree in economics and social sciences from the University of Geneva and received his doctorate from Georgetown University in 1998. He is married to Maria Margarida Pinto Ribeiro de Sousa Uva and has three children.

## *Outreach Participant Countries*

**Ethiopia's Meles Zenawi Asres is the current prime minister. He is also the chair of the New Partnership for Africa's Development (NEPAD). Since 1985, he has been chairman of the Tigrayan Peoples' Liberation Front (TPLF), and is currently head of the ruling Ethiopian People's Revolutionary Democratic Front (EPRDF). He was born May 8, 1955, in Adwa, Tigray in Northern Ethiopia. He acquired an MBA from the Open University of the United Kingdom in 1995 and a master's in economics from the Erasmus University in the Netherlands in 2004. Meles is married to Azeb Mesfin, the current chair of the Social Affairs Standing Committee of Parliament, and is the father of three children. This is the third G20 summit that NEPAD and Ethiopia has been invited to.**

**Malawi's Bingu wa Mutharika first became president on May 24, 2004, after winning a disputed presidential election. He won a second term in May 2009. Mutharika is also currently the minister of agriculture and food security and minister of education. On January 31, 2010, Mutharika replaced Libyan dictator Muammar al-Gaddafi as leader of the African Union. After serving in the Malawi civil service and in the government of Zambia, Mutharika worked at the United Nations, where he eventually became the Director for Trade and Development Finance for Africa. In 1991 he was appointed Secretary-General of the Common Market for Eastern and Southern Africa (COMESA). Born February 24, 1934, in Thyolo, Malawi, Mutharika was educated at the University of Delhi, India, where he gained a master's degree in economics. He later obtained a PhD in development economics from Pacific Western University. In 2010, he engaged former Malawi tourism minister Callista Chimombo. He has four children from a previous marriage. This is the first G20 summit that the African Union and Malawi has been invited to.**

**The Netherlands's Jan Pieter Balkenende has been prime minister since July 22, 2002. Before entering into politics, he served as a legal affairs policy officer at the Netherlands Universities Council and as a professor at the Free University. Balkenende was a member of Amstelveen municipal council from 1982 to 1998. He was born May 8, 1956, in the village of Biezelinge in the Netherlands. He studied at the Vrije Universiteit in Amsterdam, where he successfully received a master's in history in 1986, an LL.M. in Dutch Law in 1982 and a PhD in Law in 1992. He is married to Bianca Hoogendijk and has one daughter. This is the fourth G20 summit that the Netherlands has been invited to.**

**Spain's José Luis Rodríguez Zapatero has been prime minister since April 17, 2004. Before entering into politics Zapatero worked as a teaching assistant. He was first elected as a member of the congress of deputies for Leon in 1986. He served as leader of the opposition from 2000 to 2004. Born on August 4, 1960, in Valladolid, Spain, he studied law at the University of León. He is married to Sonsoles Espinosa and has two children. This is the fourth G20 summit that Spain has been invited to.**

**Vietnam's Nguyan Tan Dung became prime minister on June 27, 2006, having been nominated by his predecessor, Phan Van Khai, who retired from office. Dung is also the 2010 chairman of the Association of Southeast Asian Nations (ASEAN). Dung previously served as first deputy prime minister of Vietnam. He was also the Governor of the State Bank of Vietnam between 1998 and 1999. He was admitted to the Communist Party of Vietnam on June 10, 1967. He is the first senior Vietnamese communist leader who was born after the August Revolution in 1945. This is the third G20 summit that ASEAN has been invited to and the first for Vietnam.**

### *International Organization Participants*

**United Nations secretary-general, Ban Ki-moon of the Republic of Korea, became the eighth UN secretary-general on January 1, 2007 succeeding Kofi Annan. At the time of his election, he served as the minister of foreign affairs and trade in Korea and was a diplomat to the UN. His involvement with the ministry included postings in New Delhi, Washington DC and Vienna. Born on June 13, 1944 in Eumseong County, at the end of the Japanese rule of Korea, Ban received his bachelors of International Relations from Seoul National University and a master's of public administration from the J.F. Kennedy School of Government at Harvard University. He is married to Yoo Soon-taek and has three children.**

**World Trade Organization director-general Pascal Lamy was appointed in September 2005 for a four-year term as the fifth director-general of the WTO. In April 2009, he was reappointed for a second four-year term. He served as the commissioner for trade at the European Commission, was the CEO of the bank Credit Lyonnais and was the chief of staff for the president of the European Commission, Jacques Delors, and his representative as sherpa in the G7. He is an honorary president of Paris-based think-tank Notre Europe. Lamy was born on April 8, 1947 in Levallois-Perret, a suburb of Paris, France. He holds degrees from the Paris-based Ecole des Hautes Études Commerciales, from the Institut d'Etudes Politiques and from the Ecole Nationale d'Administration. He is married to Geneviève Luchaire and has three children.**

**World Bank chief executive Robert Zoellick became the eleventh president of the World Bank Group on July 1, 2007. Prior to joining the World Bank, Zoellick served as chair of Goldman Sachs Board of International Advisors. He was also the deputy secretary of the U.S. State Department and the Department's chief operating officer and policy alternate for the secretary of state. From 2001 to January 2005, Zoellick served in the U.S. cabinet as the thirteenth U.S. trade representative. Born on July 25, 1953 in Naperville, Illinois, U.S., he graduated from Swarthmore College, earned a J.D. magna cum laude from Harvard Law School and a masters in public policy from the Kennedy School of Government. He is married to Sherry Zoellick.**

**Organisation for Economic Co-operation and Development secretary-general Angel Gurría was appointed in June 2006. Prior to joining OECD, Gurria served as**

**Mexico's minister of foreign affairs and minister of finance and public credit. Under his leadership, the OECD has expanded its membership to include Chile, Estonia, Israel, and Slovenia and opened accession talks with Russia. It has also strengthened links with other major emerging economies including Brazil, China, India, Indonesia and South Africa, with a view to possible membership. Gurría was born on May 8, 1950 in Tampico, Mexico. He holds a bachelor in Economics from UNAM (Mexico), and a masters in Economics from Leeds University. He is married to Dr. Lulu Quintana and they have three children.**

**International Labour Organization director-general Juan Somavia was elected to serve as the ninth director-general of the ILO on March 23, 1998. His five-year term began on March 4, 1999. Somavia was re-elected in 2003 and 2008. An attorney by profession, Somavia has had a long and distinguished career in civil and international affairs. Born on April 21, 1941, he finished Law at the Catholic University of Chile. After graduating, he continued higher studies in economic development at the School of Law and Economics at the University of Paris. Somavia is married to Adriana Santa Cruz and they have two children.**

**Financial Stability Board chair Mario Draghi was elected in April 2006. He is an Italian economist and banker who has been the governor of the Banca d'Italia since January 16, 2006. He is a member of the governing and general councils of the European Central Bank and a member of the board of directors of the Bank of International Settlement. Born in Rome on September 3, 1947, Draghi graduated from La Sapienza University of Rome and earned a doctorate in economics from the Massachusetts Institute of Technology. He was also an executive director of the World Bank from 1984 to 1990.**

**International Monetary Fund managing director Dominique Strauss-Kahn assumed office as the tenth managing director on September 28, 2007. An economist, lawyer, and politician, Strauss-Khan prior to taking up his position at the IMF was member of the French National Assembly and Professor of Economics at the Institut d'Etudes Politiques de Paris. He served as finance and economy minister and sought the nomination in the primaries to the Socialist presidential candidacy for the 2007 election, but was defeated. Born on April 25, 1949 in Paris, he studied political science at Sciences Po Paris and obtained a degree in public law as well as a doctorate. He is married to Anne Sinclair and they have four children.**

## *Statistical Profiles*[236]

(as of 10 January 2010)

## Argentina

| | |
|---|---|
| **Polity** | |
| Political party: | Frente para la Victoria (FV)/Justicialist Party |
| Head of State: | President Cristina Fernandez de Kirchener |
| Most recent election: | 28 Oct 2007 |
| Government: | Lower House — Majority; Upper House — Majority |
| Political system: | Presidential |
| Legislature: | Bicameral, elected Chamber of Deputies, elected Senate |
| Capital: | Buenos Aires |
| Official language: | Spanish |
| **Economy** | |
| Currency: | Peso (P) |
| GDP (official exchange rate): | $324.8 billion (2008 est.) |
| Predicted change: | -2.5% (2009); 1.5% (2010) |
| Composition by sector: | 9.2%-agriculture; 34.1%-industry; 56.7%-services (2008 est.) |
| Central bank interest rate: | NA |
| Official reserve assets: | $48,908.23 million (Oct. 2009) |
| Foreign currency reserves: | $43,752.38 (Oct. 2009) [in convertible foreign currencies] |
| Securities: | $5,116.79 million (Oct. 2009) |
| IMF reserve position: | $0.31 million (Oct. 2009) |
| Special Drawing Rights: | $ 3,216.86 million (Oct. 2009) |
| Gold: | $1,829.02 million (Oct. 2009) [including gold deposits and, if appropriate, gold swapped] |
| Financial derivatives: | $ -54.47 million (Oct. 2009) |
| Loans to nonbank residents: | $130.66 million (Oct. 2009) |
| Other reserve assets: (IMF | $33.48 million (Oct. 2009) |
| Commercial bank prime lending rate: | 28.00% (2009, 28 Nov. 2008) |
| Stock of money: | $33.93 billion (31 Dec. 2007) |
| Stock of quasi money: | $45.92 billion (31 Dec. 2007) |
| Stock of domestic credit: | $72.55 billion (31 Dec. 2007) |
| Household income or consumption by % share: | 1.0%-lowest 10%; 35.0%-highest 10% (Jan.-Mar. 2007) |
| Inflation rate (consumer prices): | 22.0% (2008 est.) [based on non-official estimates] |
| Investment (gross fixed): | 23.2% of GDP (2008 est.) |
| Current account balance: | $7.6 billion (latest year, Q4 2008) |
| Budget: | $86.65 billion-revenues; $82.85 billion-expenditures (2008 est.) |
| Budget balance: | -0.8% of GDP (2009 forecast) |
| Public debt: | 48.5% of GDP (Q4 2008) [cumulative debt of all government borrowing] |
| Exchange rates (per USD): | 3.70 (6 May 2009); 3.18 (6 May 2008) |

[236] Complied by Harry Skinner, Senior Researcher, G20 Research Group, and Sophie Langlois, Researcher, G20 Research Group.

| | |
|---|---|
| Economic aid-recipient: | $99.66 million (2005) |
| Debt-external: | $135.5 billion (31 Dec. 2008 est.) |
| Stock of direct foreign investment: | $69.1 billion-at home; $26.81 billion-abroad (2008 est.) |
| Market value of publicly traded shares: | $52.31 billion (31 Dec. 2008) |
| Distribution of family income-Gini index: | 49.0 (Jan-Mar. 2007) |
| Unemployment rate: | 7.8% (Sep. 2008) |
| Labour force: | 16.27 million (2008 est.) [urban areas only] |
| Oil production: | 38th (world rank, 2008) |
| Oil consumption: | 29th (world rank, 2008) |
| Natural gas production: | 21st (world rank, 2008) |
| Natural gas consumption: | 18th (world rank, 2008) |

**Military**

| | |
|---|---|
| Military expenditures: | 1.3% of GDP; 120th in world rank (2005) |

**Markets**

| | |
|---|---|
| MERV index: | 2,352.760 (10 Jan 2010) |
| % change on 31 Dec. 2008: | +30.6 (local currency); +21.8 ($ terms) |

**Trade**

| | |
|---|---|
| Trade balance: | $13.6 billion (last 12 months, May. 2009) |
| Trade to GDP ratio: | 45.2 (2006-2008) |
| Exports: | $70.02 billion f.o.b. (2008 est.) |
| Top export partners: | Brazil (18.9%); E.U. (18.8%); China (9.1%); United States (7.9%); Chile (6.7%) (2008) |
| Imports: | $54.56 billion f.o.b. (2008 est.) |
| Top import partners: | Brazil (31.3%); EU (15.7%); China (12.4%); U.S. (12.2%); Paraguay (3.1%) (2008) |

## Australia

**Polity**

| | |
|---|---|
| Political party: | Australian Labour Party |
| Head of State: | Prime Minister Kevin Rudd |
| Most recent election: | 24 Nov 2007 |
| Government: | Lower House — Majority; Upper House — Minority |
| Political system: | Parliamentary |
| Legislature: | Bicameral, elected House of Representatives, elected Senate |
| Capital: | Canberra |
| Official language: | English |

**Economy**

| | |
|---|---|
| Currency: | Australian dollar (A$) |
| GDP (official exchange rate): | $1.013 trillion (2008 est.) |
| Predicted change: | -2.1% (Q1 2009); -0.7% (2009) |
| Composition by sector: | 2.5%-agriculture; 26.4%-industry; 71.1%-services (2008 est.) |
| Central bank interest rate: | 3.00% (7 Apr. 2009) |
| Official reserve assets: | $44,768.56 million (Oct. 2009) |
| Foreign currency reserves: | $39,912.34 (Oct. 2009) [in convertible foreign currencies] |
| Securities: | $34,500.12 million (Oct. 2009) |
| IMF reserve position: | $1,143.96 million (Oct. 2009) |

| | |
|---|---|
| Special Drawing Rights: | $ 4,680.67 million (Oct. 2009) |
| Gold: | $2,661.04 million (Oct. 2009) [including gold deposits and, if appropriate, gold swapped] |
| Financial derivatives: | $-0.66 million (Oct. 2009) |
| Loans to nonbank residents: | $0.00 (Oct. 2009) |
| Other reserve assets: | $371.20 million (Oct. 2009) |
| Commercial bank prime lending rate: | 8.91% (31 Dec. 2008) |
| Stock of money: | $298.5 billion (31 Dec. 2007) |
| Stock of quasi money: | $667.2 billion (31 Dec. 2007) |
| Stock of domestic credit: | $1.312 trillion (31 Dec. 2007) |
| Household income or consumption by % share: | 0.9%-lowest 10%; 38.2%-highest 10% (2004) |
| Inflation rate (consumer prices): | 4.4% (2008 est.) |
| Investment (gross fixed): | 27.6% of GDP (2008 est.) |
| Current account balance: | $-44.1 billion (latest year, Q4 2008) |
| Budget: | $350.3 billion-revenues; $332.4 billion-expenditures (2008 est.) |
| Budget balance: | -3.3% of GDP (2009) |
| Public debt: | 14.7% of GDP (2008 est.) |
| Exchange rates (per USD): | 1.34 (6 May. 2009); 1.06 (6 May. 2008) |
| Economic aid-donor: | $2.9899 billion (2006-2007 expected) [ODA] |
| Debt-external: | $799.8 billion (31 Dec. 2008 est.) |
| Stock of direct foreign investment: | $366.5 billion-at home; $197.2 billion-abroad (2008 est.) |
| Market value of publicly traded shares: | $1.298 trillion (31 Dec. 2007) |
| Distribution of family income-Gini index: | 30.5 (2006) |
| Unemployment rate: | 4.2% (Dec. 2008) |
| Labour force: | 11.25 million (2008 est.) |
| Oil production: | 30th (world rank, 2008) |
| Oil consumption: | 21st (world rank, 2008) |
| Natural gas production: | 20th (world rank, 2008) |
| Natural gas consumption: | 26th (world rank, 2008) |

**Military**

| | |
|---|---|
| Military expenditures: | 2.4% of GDP; 69th in world rank (2006) |

**Markets**

| | |
|---|---|
| All Ord. index: | 4,981.400 (10 Jan. 2010) |
| % change on 31 Dec. 2008: | +4.9 (local currency); +11.2 ($ terms) |

**Trade**

| | |
|---|---|
| Trade balance: | $+5.2 billion (latest year, Mar. 2009) |
| Trade to GDP ratio: | 46.1(2006-2008) |
| Exports: | $189.9 billion (2008 est.) |
| Top export partners: | Japan (22.8%); China (14.6%); E.U. (10.5%); Korea, Republic of (8.3%); India (6.1%) (2008) |
| Imports: | $194.2 billion (2008 est.) |
| Top import partners: | E.U (21%); China (15.6%); U.S. (12%); Japan (9%); Singapore (7.2%) (2008) |

## Brazil

**Polity**

| | |
|---|---|
| Political party: | Workers' Party (PT) |
| Head of State: | President Luiz Lula de Silva |
| Most recent election: | 29 Oct 2006 |
| Government: | Lower House — Minority; Upper House — Minority |
| Political system: | Presidential |
| Legislature: | Bicameral, elected Chamber of Deputies, elected Senate |
| Capital: | Brasilia |
| Official language: | Portuguese |

**Economy**

| | |
|---|---|
| Currency: | Real (R) |
| GDP (official exchange rate): | $1.573 trillion (2008 est.) |
| Predicted change: | -13.6% (Q1 2009); -1.5% (2009) |
| Composition by sector: | 6.7%-agriculture; 28%-industry; 65.3%-services (2008 est.) |
| Central bank interest rate: | 10.25% (29 Apr. 2009) |
| Official reserve assets: | $231,122.62 million (Oct. 2009) |
| Foreign currency reserves: | $220,508.37 million (Oct. 2009) [in convertible foreign currencies] |
| Securities: | $211,853.59 million (Oct. 2009) |
| IMF reserve position: | $645.14 million (Oct. 2009) |
| Special Drawing Rights: | $4,590.38 million (Oct. 2009) |
| Gold: | $1,123.69 million (Oct. 2009) [including gold deposits and, if appropriate, gold swapped] |
| Financial derivatives: | $1.12 million (Oct. 2009) |
| Loans to nonbank residents: | $65.55 million (Oct. 2009) |
| Other reserve assets: | $4,188.38 million (Oct. 2009) |
| Commercial bank prime lending rate: | 47.25% (31 Dec. 2008) |
| Stock of money: | $95.03 billion (31 Dec. 2008) |
| Stock of quasi money: | $724.5 billion (31 Dec. 2008) |
| Stock of domestic credit: | $1.249 trillion (31 Dec. 2008) |
| Household income or consumption by % share: | 0.9%-lowest 10%; 44.8%-highest 10% (2004) |
| Inflation rate (consumer prices): | 5.7% (2008 est.) |
| Investment (gross fixed): | 19% of GDP (2008 est.) |
| Current account balance: | $-23.0 billion (latest year, Mar. 2009) |
| Budget: | NA |
| Budget balance: | -2.0% of GDP (2009 est.) |
| Public debt: | 38.8% of GDP (2008 est.) |
| Exchange rates (per USD): | 2.12 (6 May 2009); 1.67 (6 May 2008) |
| Economic aid-recipient: | $191.9 million (2005) |
| Debt-external: | $262.9 billion (31 Dec. 2008 est.) |
| Stock of direct foreign investment: | $294 billion-at home; $127.5 billion-abroad (2008 est.) |
| Market value of publicly traded shares: | $589.4 billion (31 Dec. 2008) |
| Distribution of family income-Gini index: | 56.7 (2005) |
| Unemployment rate: | 8.5% (Feb. 2008) |
| Labour force: | 100.9 million (2008 est.) |

**Military**

| | |
|---|---|
| Military expenditures: | 2.6% of GDP; 62nd in world rank (2006) |

**Markets**

| | |
|---|---|
| BVSP index: | 70,262.7031 (10 Jan. 2010) |
| % change on 31 Dec. 2008: | +37.1 (local currency); +50.7 ($ terms) |

**Trade**

| | |
|---|---|
| Trade balance: | $27.0 billion (latest year, Apr. 2009) |
| Trade to GDP ratio: | 26.2 (2006-2008) |
| Exports: | $197.9 billion f.o.b. (2008 est.) |
| Top export partners: | E.U. (23.5%); U.S. (14%); Argentina (8.9%); China (8.3%); Japan (3.1%) (2008) |
| Imports: | $173.1 billion f.o.b. (2008 est.) |
| Top import partners: | E,U, (20.9%); U.S. (14.9%); China (11.6%); Argentina (7.7%); Japan (3.9%); (2008) |
| Oil production: | 13th (world rank, 2008) |
| Oil consumption: | 8th (world rank, 2008) |
| Natural gas production: | 39th (world rank, 2008) |
| Natural gas consumption: | 32nd (world rank, 2008) |

## Canada

**Polity**

| | |
|---|---|
| Political party: | Conservative Party of Canada |
| Head of government: | Prime Minster Stephen Harper |
| Most recent election: | 14 Oct 2008 |
| Government: | Lower House — Minority; Upper House — Minority |
| Political system: | Parliamentary |
| Legislature: | Bicameral, elected House of Commons, appointed Senate |
| Capital: | Ottawa |
| Official language: | English, French |

**Economy**

| | |
|---|---|
| Currency: | Canadian dollar (C$) |
| GDP (official exchange rate): | $1.6 trillion (2008 est.) |
| Predicted change: | -0.7% (Q4 2008); -2.3% (2009) |
| Composition by sector: | 2.0%-agriculture; 28.4%-industry; 69.6%-services (2008 est.) |
| Central bank interest rate: | 0.25% (21 April. 2009) |
| Official reserve assets: | $56,236.00 million (Oct. 2009) |
| Foreign currency reserves: | $44,323.00 million (Oct. 2009) [in convertible foreign currencies] |
| Securities: | $43,378.00 million (Oct. 2009) |
| IMF reserve position: | $2,459.00 million (Oct. 2009) |
| Special Drawing Rights: | $9,341.00 million (Oct. 2009) |
| Gold: | $113.00 million (Oct. 2009) [including gold deposits and, if appropriate, gold swapped] |
| Financial derivatives: | $0.00 (Oct. 2009) |
| Loans to nonbank residents: | $0.00 (Oct. 2009) |
| Other reserve assets: | $0.00 (Oct. 2009) |
| Commercial bank prime lending rate: | 4.73% (31 Dec. 2008) |
| Stock of money: | $356.2 billion (31 Dec. 2008) |
| Stock of quasi money: | $1.299 trillion (31 Dec. 2008) |

| | |
|---|---|
| Stock of domestic credit: | $2.335 trillion (31 Dec. 2008) |
| Household income or consumption by % share: | 2.6%-lowest 10%; 24.8%-highest 10% (2000) |
| Inflation rate (consumer prices): | 1.0 % (Jan. 2009 est.) |
| Investment (gross fixed): | 22.6% of GDP (2008 est.) |
| Current account balance: | $11.3 billion (latest year, Q4 2008) |
| Budget: | $608.3 billion-revenues; $606.0 billion-expenditures (2008 est.) |
| Budget balance: | -2.5% of GDP (2009) |
| Public debt: | 62.3% of GDP (2008 est.) [cumulative debt of all government borrowing] |
| Exchange rates (per USD): | 1.18 (6 May 2009); 1.02 (May 2008) |
| Economic aid-donor: | $ 4. 079 billion (2007) [ODA] |
| Debt-external: | $781.1 billion (31 Dec. 2008) |
| Stock of direct foreign investment: | $433.4 billion-at home; $520.7 billion-abroad (31 Dec. 2008 est.) |
| Market value of publicly traded shares: | $2.187 trillion (31 Dec. 2007) |
| Distribution of family income-Gini index: | 32.1 (2005) |
| Unemployment rate: | 8.0% (Mar. 2009) |
| Labour force: | 18.22 million (2008 est.) |
| Oil production: | 6th (world rank, 2008) |
| Oil consumption: | 10th (world rank, 2008) |
| Natural gas production: | 4st (world rank, 2008) |
| Natural gas consumption: | 10nd (world rank, 2008) |

**Military**

| | |
|---|---|
| Military expenditures: | 1.1% of GDP; 132nd in world rank (2005) |

**Markets**

| | |
|---|---|
| S&P TSX index: | 11, 953.83 (10 Jan. 20 10) |
| % change on 31 Dec. 2008: | +12.9 (local currency); +18.5 ($ terms) |

**Trade**

| | |
|---|---|
| Trade balance: | $37.1 billion (latest year, Feb. 2009) |
| Trade to GDP ratio: | 70.9 (2006-2008) |
| Exports: | $459.1 billion (2008 est.) |
| Top export partners: | U.S. (77.6%); E.U. (7.5%); Japan (2.3%); China (2.2%); Mexico (1.2%) (2008) |
| Imports: | $415.2 billion (2008 est.) |
| Top import partners: | U.S. (52.4%); E.U. (12.5%); China (9.8%); Mexico (4.1%); Japan (3.5%) (2008) |

## China

**Polity**

| | |
|---|---|
| Political party: | Communist Party of China |
| Most recent election: | 15 Mar 2008 |
| Government: | Single House — Majority |
| Political system: | Presidential |
| Legislature: | Unicameral, elected National Congress |
| Capital: | Beijing |
| Official language: | Mandarin |

**Economy**

| | |
|---|---|
| Currency: | Yuan (¥) |
| GDP (real): | $4. 327 trillion (2008 est.) |
| Predicted change: | 6.1% (Q1 2009); 6.5% (2009) |
| Composition by sector: | 11.3%-agriculture; 48.6%-industry; 40.1%-services (2008 est.) |
| Central bank interest rate: | 5.31% (22 Dec. 2008) |
| Official reserve assets: | NA |
| Foreign currency reserves: | 1, 953.7 billion (Mar. 2009) |
| Securities: | NA |
| IMF reserve position: | $1,286.78 million (Feb. 2009) |
| Special Drawing Rights: | NA |
| Gold: | $14,969.06 million (Nov. 2007) |
| Financial derivatives: | NA |
| Loans to nonbank residents: | NA |
| Other reserve assets: | NA |
| Commercial bank prime lending rate: | 5.31% (31 Dec. 2008) |
| Stock of money: | $2.434 trillion (31 Dec. 2008) |
| Stock of quasi money: | $4.523 trillion (31 Dec. 2008) |
| Stock of domestic credit: | $4.653 trillion (31 Dec. 2008) |
| Household income or consumption by % share: | 1.6%-lowest 10%; 34.9%-highest 10% (2004) |
| Inflation rate (consumer prices): | 6.0% (2008 est.) |
| Investment (gross fixed): | 40.2% of GDP (2008 est.) |
| Current account balance: | $400.7 billion (latest year, Q2 2008) |
| Budget: | $847.8 billion-revenues; $861.6 billion-expenditures (2008 est.) |
| Budget balance: | -3.5% of GDP (2009) |
| Public debt: | 15.7% of GDP (2008 est.) [cumulative debt of all government borrowing] |
| Exchange rates (per USD): | 6.82 (May 2009); 6.99 (Mar. 2008) |
| Economic aid-recipient: | $1.331 billion (2007) [ODA] |
| Debt-external: | $420.8 billion (31 Dec. 2008 est.) |
| Stock of direct foreign investment: | $758.9 billion-at home (2007 est.); $149.33 billion-abroad (2008 est.) |
| Market value of publicly traded shares: | $2.794 trillion (31 Dec. 2008) |
| Distribution of family income-Gini index: | 47.0 (2007) |
| Unemployment rate: | 4.0% (2008 est.) |
| Labour force: | 807.3 million (2008 est.) |
| Oil production: | 5th (world rank, 2008) |
| Oil consumption: | 3rd (world rank, 2008) |
| Natural gas production: | 11th (world rank, 2008) |
| Natural gas consumption: | 12th (world rank, 2008) |

**Military**

| | |
|---|---|
| Military expenditures: | 4.3% of GDP; 25th in world rank (2006) |

**Markets**

| | |
|---|---|
| SSEA index: | 3,397.15 (10 Jan. 2010) |
| % change on 31 Dec. 2008: | +42.3 (local currency); +42.4 ($ terms) |
| SSEB index ($ terms): | 255.75 (10 Jan. 2010) |
| % change on 31 Dec. 2008: | +52.0 (local currency); +52.0 ($ terms) |

**Trade**

| | |
|---|---|
| Trade balance: | $316.9 billion (latest year, Mar. 2009) |

| | |
|---|---|
| Trade to GDP ratio: | 73.4 (2006-2008) |
| Exports: | $1.435 trillion (2008 est.) |
| Top export partners: | E.U. (20.5%); U.S. (17.7%); Hong Kong, China (13.4%); Japan (8.4%); Japan (8.1%); Republic of Korea (5.2%) (2008) |
| Imports: | $1.074 trillion (2008 est.) |
| Top import partners: | Japan (13.3%); E.U. (11.7%); Republic of Korea (9.9%); Taipei, Chinese (9.1%); China (8.2%) (2008) |

## France

**Polity**

| | |
|---|---|
| Political party: | Union for a Popular Movement (UMP) |
| Head of Government: | President Nicolas Sarkozy |
| Most recent election: | 22 Apr and 6 May 2007 |
| Government: | Lower House — Majority; Upper House — Majority |
| Political system: | Semi-presidential |
| Legislature: | Bicameral, elected National Assembly, elected Senate |
| Capital: | Paris |
| Official language: | French |

**Economy**

| | |
|---|---|
| Currency: | Euro (€) |
| GDP (official exchange rate): | $2.867 trillion (2008 est.) |
| Predicted change: | -1.0% (Q4 2008); -1.9% (2009) |
| Composition by sector: | 2%-agriculture; 20.4%-industry; 77.6%-services (2008 est.) |
| Central bank interest rate: | 1.0% (May. 2009) [European Monetary Union] |
| Official reserve assets: | $126,421.60 million (Oct. 2009) |
| Foreign currency reserves: | $26,256.68 million (Oct. 2009) [in convertible foreign currencies] |
| Securities: | $19,330.28million (Oct. 2009) |
| IMF reserve position: | $3,668.92million (Oct. 2009) |
| Special Drawing Rights: | $ 15,403.84 million (Oct. 2009) |
| Gold: | $81,092.16 million (Oct. 2009) [including gold deposits and, if appropriate, gold swapped] |
| Financial derivatives: | $0.00 (Oct. 2009) |
| Loans to nonbank residents: | $0.00 (Oct. 2009) |
| Other reserve assets: | $0.00 (Oct. 2009) |
| Commercial bank prime lending rate: | 8.13% (2008) |
| Stock of money: | NA |
| Stock of quasi money: | NA |
| Stock of domestic credit: | $4.102 trillion (31 Dec. 2008) |
| Household income or consumption by % share: | 3.0%-lowest 10%; 24.8%-highest 10% (2004) |
| Inflation rate (consumer prices): | 2.8% (2008 est.) |
| Investment (gross fixed): | 21 .9% of GDP (2008 est.) |
| Current account balance: | $-54.4 billion (latest year, Feb. 2009) |
| Budget: | $1.407 trillion-revenues; $1.506 trillion-expenditures (2008 est.) |
| Budget balance: | -6.6% of GDP (2009) |
| Public debt: | 68.1% of GDP (2008 est.) [cumulative debt of all government borrowing] |
| Exchange rates (per USD): | 0.75 (6 May 2009); 0.65 (May 2008) |
| Economic aid-donor: | $9. 883 billion (2007) [ODA] |
| Debt-external: | $5.37 trillion (30 Sept. 2008) |
| Stock of direct foreign | |

| | |
|---|---|
| investment: | $1.234 trillion-at home; $1.889 trillion-abroad (2008 est.) |
| Market value of publicly traded shares: | $2.771 trillion (31 Dec. 2007) |
| Distribution of family income-Gini index: | 32.7 (2008) |
| Unemployment rate: | 8.8% (Mar. 2009) |
| Labour force: | 27.97 million (2008 est.) |
| Oil production: | 57th (world rank, 2008) |
| Oil consumption: | 13th (world rank, 2008) |
| Natural gas production: | 64st (world rank, 2008) |
| Natural gas consumption: | 16nd (world rank, 2008) |

**Military**

| | |
|---|---|
| Military expenditures: | 2.6% of GDP; 61 in world rank (2005) |

**Markets**

| | |
|---|---|
| CAC 40 index: | 4, 045.14 (10 Jan. 2010) |
| % change on 31 Dec. 2008: | +2.0 (local currency); -2.4 ($ terms) |

**Trade**

| | |
|---|---|
| Trade balance: | $-79.1 billion (latest year, Mar. 2009) |
| Trade to GDP ratio: | 55.2 (2006-2008) |
| Exports: | $601.9 billion f.o.b. (2008 est.) |
| Top export partners: | E.U. (63.6%); U.S. (5.9%); Switzerland (3.0%); China (2.2%); Russian Federation (1.7%); (2008) |
| Imports: | $692 billion f.o.b. (2008 est.) |
| Top import partners: | E.U. (60.3%); China (6.5%); United States (5.5%); Russian Federation (2.9%); Switzerland (2.3%) (2008) |

## Germany

**Polity**

| | |
|---|---|
| Political party: | Christian Democratic Union (CDU-CSU) |
| Most recent election: | 23 May 2009 |
| Head of Government: | Chancellor Angela Merkel |
| Government: | Lower House — Majority (coalition); Upper House — Majority (coalition) |
| Political system: | Parliamentary |
| Legislature: | Bicameral, elected Federal Assembly, elected Federal Council |
| Capital: | Berlin |
| Official language: | German |

**Economy**

| | |
|---|---|
| Currency: | Euro (€) |
| GDP (official exchange rate): | $3.673 trillion (2008 est.) |
| Predicted change: | -1.7% (Q4 2008); -5.2% (2009) |
| Composition by sector: | 0.9%-agriculture; 30.1%-industry; 69.0%-services (2008 est.) |
| Central bank interest rate: | 1.0% (May 2009) [European Monetary Union] |
| Official reserve assets: | $176,984.32 million (Oct. 2009) |
| Foreign currency reserves: | $38,629.48 million (Oct. 2009) [in convertible foreign currencies] |
| Securities: | $26,119.04 million (Oct. 2009) |
| IMF reserve position: | $4,552.48 million (Oct. 2009) |
| Special Drawing Rights: | $19,368.76 (Oct. 2009) |
| Gold: | $114,433.60 million (Oct. 2009) [including gold deposits and, if appropriate, gold swapped] |

| | |
|---|---|
| Financial derivatives: | $0.00 (Oct. 2009) |
| Loans to nonbank residents: | $0.00 (Oct. 2009) |
| Other reserve assets: | $0.00 (Oct. 2009) |
| Commercial bank prime lending rate: | 5.97% (31 Dec. 2008) |
| Stock of money: | NA |
| Stock of quasi money: | NA |
| Stock of domestic credit: | $5.019 trillion (31 Dec. 2008) |
| Household income or consumption by % share: | 3.2%-lowest 10%; 22.1%-highest 10% (2000) |
| Inflation rate (consumer prices): | 2.7% (2008 est.) |
| Investment (gross fixed): | 19.2% of GDP (2008 est.) |
| Current account balance: | $206.2 billion (latest year, Feb. 2009) |
| Budget: | $1.591 trillion-revenues; $1.591 trillion-expenditures (2008 est.) |
| Budget balance: | -4.4% of GDP (2009) |
| Public debt: | 66% of GDP (2008 est.) [cumulative debt of all government borrowing] |
| Exchange rates (per USD): | 0.75 (May 2009); 0.65 (May. 2008) |
| Economic aid-donor: | $12. 290 billion (2007) [ODA] |
| Debt-external: | $4.489 trillion (30 Jun. 2007) |
| Stock of direct foreign investment: | $924.7 billion-at home; 1.36 trillion-abroad (2008 est.) |
| Market value of publicly traded shares: | $2.106 trillion (31 Dec. 2007) |
| Distribution of family income-Gini index: | 27.0 (2006) |
| Unemployment rate: | 8.1% (Mar. 2009) |
| Labour force: | 43.62 million (2008 est.) |
| Oil production: | 6th (world rank, 2008) |
| Oil consumption: | 10th (world rank, 2008) |
| Natural gas production: | 4st (world rank, 2008) |
| Natural gas consumption: | 10nd (world rank, 2008) |

**Military**

| | |
|---|---|
| Military expenditures: | 1.5% of GDP; 109th in world rank (2005) |

**Markets**

| | |
|---|---|
| DAX index: | 6,037.61 (10 Jan. 2010) [total return index] |
| % change on 31 Dec. 2008: | +1.5 (local currency); -2.9 ($ terms) |

**Trade**

| | |
|---|---|
| Trade balance: | $234.6 billion (latest year, Feb. 2009) |
| Trade to GDP ratio: | 87.4 (2006-2008) |
| Exports: | $1.53 trillion f.o.b. (2008 est.) |
| Top export partners: | E.U. (63.7%); U.S. (7.2%); Switzerland (4.0%); China (3.4%); Russia (3.2%) (2008) |
| Imports: | $1.202 trillion f.o.b. (2008 est.) |
| Top import partners: | E.U. (58.5%); China (7.2%); U.S. (5.6%); Russia (4.4%); Switzerland (3.8%) (2008) |

## India

**Polity**

| | |
|---|---|
| Political party: | Indian National Congress |

| | |
|---|---|
| Head of Government: | Prime Minister Manmohan Singh |
| Most recent election: | July 2007 |
| Government: | Lower House — Majority (coalition); Upper House — Majority |
| Political system: | Parliamentary |
| Legislature: | Bicameral, elected Assembly, indirectly elected Council of States |
| Capital: | Delhi |
| Official language: | Hindi |

**Economy**

| | |
|---|---|
| Currency: | Indian rupee (Rs) |
| GDP (official exchange rate): | $1.207 trillion (2008 est.) |
| Predicted change: | 5.3% (Q4 2008); 5.0% (2009) |
| Composition by sector: | 17.2%-agriculture; 29.1%-industry; 53.7%-services (2008 est.) |
| Central bank interest rate: | 4.75% (21 Apr. 2009) |
| Official reserve assets: | $284,391.00 million (Oct. 2009) |
| Foreign currency reserves: | $266,768.00 million (Oct. 2009) [in convertible foreign currencies] |
| Securities: | $150,662.00 million (Oct. 2009) |
| IMF reserve position: | $1,581.00 million (Oct. 2009) |
| Special Drawing Rights | $5,242.00 (Oct. 2009) |
| Gold: | $10,800.00 million (Oct. 2009) [including gold deposits and, if appropriate, gold swapped] |
| Financial derivatives: | $0.00 (Oct. 2009) |
| Loans to nonbank residents: | $0.00 (Oct. 2009) |
| Other reserve assets: | $0.00 (Oct. 2009) |
| Commercial bank prime lending rate: | 8.5% (31 Jan. 2009) |
| Stock of money: | $250.9 billion (31 Dec. 2007) |
| Stock of quasi money: | $647.3 billion (31 Dec. 2007) |
| Stock of domestic credit: | $769.3 billion (31 Dec. 2007) |
| Household income or consumption by % share: | 3.6%-lowest 10%; 31.1%-highest 10% (2004) |
| Inflation rate (consumer prices): | 7.8% (2008 est.) |
| Investment (gross fixed): | 39% of GDP (2008 est.) |
| Current account balance: | $-37.5 billion (latest year, Q4 2008) |
| Budget: | $126.7 billion-revenues; $202.6 billion-expenditures (2008 est.) |
| Budget balance: | -7.7% of GDP (2009) |
| Public debt: | 78.0% of GDP (2008 est.) [cumulative debt of all government borrowing] |
| Exchange rates (per USD): | 49.6 (7 May 2009); 41.4 (May. 2008) |
| Economic aid-recipient: | $903.19 million (2007) |
| Debt-external: | $229.3 billion (31 Dec. 2008 est.) |
| Stock of direct foreign investment: | $144.2 billion-at home; $61.77 billion-abroad (2008 est.) |
| Market value of publicly traded shares: | $650 billion (31 Dec. 2008) |
| Distribution of family income-Gini index: | 36.8 (2004) |
| Unemployment rate: | 9.1% (2008 est.) |
| Labour force: | 523.5 million (2008 est.) |
| Oil production: | 23rd (world rank, 2008) |
| Oil consumption: | 5th (world rank, 2008) |
| Natural gas production: | 26st (world rank, 2008) |
| Natural gas consumption: | 19th (world rank, 2008) |

**Military**

| | |
|---|---|
| Military expenditures: | 2.5% of GDP; 66th in world rank (2006) |

**Markets**

| | |
|---|---|
| BSE index: | 17,672.09 (6 May 2010) |
| % change on 31 Dec. 2008: | +23.9 (local currency); +21.7 ($ terms) |

**Trade**

| | |
|---|---|
| Trade balance: | $-109.0 billion (latest year, Mar. 2009) |
| Trade to GDP ratio: | 47.6 (2006-2008) |
| Exports: | $187.9 billion (2008 est.) |
| Top export partners: | E.U. (21.6%); U.S. (11.8%); UAE (10.5%); China (5.6%); Singapore (4.9%) (2008) |
| Imports: | $315.1 billion (2008 est.) |
| Top import partners: | E.U. (13.9%); China (10.0%); U.S. (7.8%); Saudi Arabia (7.3%); UAE (6.2%) (2008) |

## Indonesia

**Polity**

| | |
|---|---|
| Political party: | Democratic Party |
| Head of Government: | President Susilo Bambang Yudhoyono |
| Most recent election: | 8 July 2009 |
| Government: | Lower House — Minority; Upper House — None |
| Political system: | Presidential |
| Legislature: | Bicameral, elected House of People's Representatives, elected House of Regional Representatives |
| Capital: | Jakarta |
| Official language: | Indonesian |

**Economy**

| | |
|---|---|
| Currency: | Rupiah (Rp) |
| GDP (official exchange rate): | $511.8 billion (2008 est.) |
| Predicted change: | 5.2% (Q4 2008); -1.4% (2009) |
| Composition by sector: | 13.5%-agriculture; 45.6%-industry; 40.8%-services (2008 est.) |
| Central bank interest rate: | 7.25% (May 2009) |
| Official reserve assets: | $64,528.45 million (Oct. 2009) |
| Foreign currency reserves: | $58,862.90 million (Oct. 2009) [in convertible foreign currencies] |
| Securities: | $57,439.61 million (Oct. 2009) |
| IMF reserve position: | $230.90 (Oct. 2009) |
| Special Drawing Rights: | $2,797.78 million (Oct. 2009) |
| Gold: | $2,442.10 million (Oct. 2009) [including gold deposits and, if appropriate, gold swapped] |
| Financial derivatives: | $0.00 (Oct. 2009) |
| Loans to nonbank residents: | $0.00 (Oct. 2009) |
| Other reserve assets: | $194.77 million (Oct. 2009) |
| Commercial bank prime lending rate: | 13.6% (31 Dec. 2008) |
| Stock of money: | $41.71 billion (31 Dec. 2008) |
| Stock of quasi money: | $131.5 billion (31 Dec. 2008) |
| Stock of domestic credit: | $166.2 billion (31 Dec. 2008) |
| Household income or consumption by % share: | 3.0%-lowest 10%; 32.3%-highest 10% (2006) |
| Inflation rate (consumer prices): | 11.1% (2008 est.) |
| Investment (gross fixed): | 23.6% of GDP (2008 est.) |
| Current account balance: | $7.3 billion (latest year, Mar 2009) |

| | |
|---|---|
| Budget: | $92.62 billion-revenues; $98.88 billion-expenditures (2008 est.) |
| Budget balance: | -2.9% of GDP (2009) |
| Public debt: | 29.3% of GDP (2008 est.) [cumulative debt of all government borrowing] |
| Exchange rates (per USD): | 10,410.0 (6 May 2009); 9,225.0 (May. 2008) |
| Economic aid-recipient: | $362.09 million (2007 est.) [ODA] |
| Debt-external: | $143.5 billion (31 Dec. 2008 est.) |
| Stock of direct foreign investment: | $63.46 billion-at home; $4.277 billion-abroad (2008 est.) |
| Market value of publicly traded shares: | $98.76 billion (31 Dec. 2008) |
| Distribution of family income-Gini index: | 39.4 (2005) |
| Unemployment rate: | 8.4% (Aug. 2008) |
| Labour force: | 112.0 million (2008 est.) |
| Oil production: | 22nd (world rank, 2008) |
| Oil consumption: | 17th (world rank, 2008) |
| Natural gas production: | 13th (world rank, 2008) |
| Natural gas consumption: | 24th (world rank, 2008) |

**Military**

| | |
|---|---|
| Military expenditures: | 3% of GDP; 50th in world rank (2005) |

**Markets**

| | |
|---|---|
| JSX index: | 2,645.79 (10 Jan. 2010) |
| % change on 31 Dec. 2008: | +32.7 (local currency); +38.9 ($ terms) |

**Trade**

| | |
|---|---|
| Trade balance: | $7.3 billion (latest year, Mar. 2009) |
| Trade to GDP ratio: | 60.4 (2005-2007) |
| Exports: | $139.3 billion f.o.b. (2008 est.) |
| Top export partners: | Japan (20.2%); E.U. (11.3%); U.S. (9.5%); Singapore (9.4%); China (8.5%); (2008) |
| Imports: | $116 billion f.o.b. (2008 est.) |
| Top import partners: | Singapore (16.9%); China (11.8%); Japan (11.7%); E.U. (8.2%); Malaysia (6.9%); (2008) |

## Italy

**Polity**

| | |
|---|---|
| Political party: | People of Freedom (coalition) |
| Head of Government: | Prime Minister Silvio Berlusconi |
| Most recent election: | 13-14 Apr 2008 |
| Government: | Lower House — Majority (coalition); Upper House — Majority (coalition) |
| Political system: | Parliamentary |
| Legislature: | Bicameral, elected Chamber of Deputies, elected Senate |
| Capital: | Rome |
| Official language: | Italian |

**Economy**

| | |
|---|---|
| Currency: | Euro (€) |
| GDP (official exchange rate): | $2.314 trillion (2008 est.) |
| Predicted change: | -2.9% (Q4 2008); -4.0% (2009) |
| Composition by sector: | 2.0%-agriculture; 26.7%-industry; 71.3%-services (2008 est.) |

| | |
|---|---|
| Central bank interest rate: | 1.0% (May 2009) [European Monetary Union] |
| Official reserve assets: | $129,330.61 million (Oct. 2009) |
| Foreign currency reserves: | $35,353.79 million (Oct. 2009) [in convertible foreign currencies] |
| Securities: | $31,559.27 million (Oct. 2009) |
| IMF reserve position: | $2,441.60 million (Oct. 2009) |
| Special Drawing Rights: | $9,553.27 million (Oct. 2009) |
| Gold: | $81,981.95 million (Oct. 2009) [including gold deposits and, if appropriate, gold swapped] |
| Financial derivatives: | $0.00 (Oct. 2009) |
| Loans to nonbank residents: | $0.00 (Oct. 2009) |
| Other reserve assets: | $0.00 (Oct. 2009) |
| Commercial bank prime lending rate: | 11.34% (31 Dec. 2008) |
| Stock of money: | NA |
| Stock of quasi money: | NA |
| Stock of domestic credit: | $3.046 trillion (31 Dec. 2008) |
| Household income or consumption by % share: | 2.3%-lowest 10%; 26.8%-highest 10% (2000) |
| Inflation rate (consumer prices): | 3.4% (2008 est.) |
| Investment (gross fixed): | 20.9% of GDP (2008 est.) |
| Current account balance: | $-72.9 billion (latest year, Feb. 2009) |
| Budget: | $1.068 trillion-revenues; $1.132 trillion-expenditures (2008 est.) |
| Budget balance: | -4.3% of GDP (2009) |
| Public debt: | 103.7% of GDP (2008 est.) [cumulative debt of all government borrowing] |
| Exchange rates (per USD): | 0.75 (6 May 2009); 0.76 (May 2008) |
| Economic aid-donor: | $3. 970 billion (2007) [ODA] |
| Debt-external: | $2.328 trillion (31 Dec. 2008 est.) |
| Stock of direct foreign investment: | $374.8 billion-at home; $547.7 billion-abroad (2008 est.) |
| Market value of publicly traded shares: | $1.073 trillion (31 Dec. 2007) |
| Distribution of family income-Gini index: | 32.0 (2006) |
| Unemployment rate: | 6.9% (Q4 2008) |
| Labour force: | 25.09 million (2008 est.) |
| Oil production: | 44th (world rank, 2008) |
| Oil consumption: | 16th (world rank, 2008) |
| Natural gas production: | 43rd (world rank, 2008) |
| Natural gas consumption: | 8th (world rank, 2008) |

**Military**

| | |
|---|---|
| Military expenditures: | 1.8% of GDP; 93rd in world rank (2005) |

**Markets**

| | |
|---|---|
| S&P/MIB index: | 28,811.13 (10 Jan. 2010) |
| % change on 31 Dec. 2008: | +3.3 (local currency); -1.2 ($ terms) |

**Trade**

| | |
|---|---|
| Trade balance: | $-15.7 billion (latest year, Feb. 2009) |
| Trade to GDP ratio: | 57.9 (2006-2008) |
| Exports: | $546.9 billion f.o.b. (2008 est.) |
| Top export partners: | E.U. (57.9%); U.S. (6.3%); Switzerland (4.0%); Russia (2.9%); Turkey (2.0%) (2008) |

| | |
|---|---|
| Imports: | $546.9 billion f.o.b. (2008 est.) |
| Top import partners: | E.U. (53.1%); China (6.3%); Libyan Arab Jamahiriya (3.8%); U.S. (3.1%); Switzerland (3.0%) (2008) |

## Japan

**Polity**

| | |
|---|---|
| Political party: | Democratic Party of Japan (DPJ) |
| Chief of state: | Emperor Akihito |
| Head of Government: | Prime Minister Yukio Haytoyama (since 16 Sept 2009) |
| Most recent election: | August 30, 2009 |
| Government: | Lower House — Majority (coalition); Upper House — Minority (coalition) |
| Political system: | Parliamentary with Constitutional Monarchy |
| Legislature: | Bicameral Diet, elected House of Representatives, elected House of Councilors |
| Capital: | Tokyo |
| Official language: | Japanese |
| Population: | 127, 078, 679; country comparison to the world: 10th (July 2009 est.) |
| Population growth rate: | -0.191%; country comparison to the world: 218th (2009 est.) |

**Economy**

| | |
|---|---|
| Currency: | Yen (¥) |
| GDP (official exchange rate): | $4.911 trillion (2008 est.) |
| Predicted change: | -4.3% (Q4 2008); -6.4% (2009) |
| Composition by sector: | 1.5%-agriculture; 26.3%-industry; 72.3%-services (2008 est.) |
| Central bank interest rate: | 0.1% (7 Jan. 2010) |
| Official reserve assets: | $1, 073, 712 million (Nov 2009) |
| Foreign currency reserves: | $1,018,414 million (Nov 2009) [in convertible foreign currencies] |
| Securities: | $962, 886 million (Nov 2009) |
| IMF reserve position: | $4,430 million (Nov 2009) |
| Special Drawing Rights: | $21, 536 million (Nov 2009) |
| Gold: | $28, 926 million (Nov 2009) [including gold deposits and, if appropriate, gold swapped] |
| Financial derivatives: | $0.00 (Nov 2009) |
| Loans to nonbank residents: | $0.00 (Nov 2009) |
| Other reserve assets: | $406 million (Nov 2009) |
| Commercial bank prime lending rate: | 1.91% (31 Dec 2008) |
| Stock of money: | $5417 trillion (31 Dec 2008) |
| Stock of quasi money: | $6.16 trillion (31 Dec 2008) |
| Stock of domestic credit: | $12.34 trillion (31 Dec. 2008) |
| Household income or consumption by % share: | 4.8%-lowest 10%; 21.7%-highest 10% (1993) |
| Inflation rate (consumer prices): | 1.8% (2008 est.) |
| Investment (gross fixed): | 23% of GDP (2008 est.) |
| Current account balance: | $126.5 billion (latest year, Oct. 2009) |
| Budget: | $1.72 trillion – revenues; $1.788 trillion – expenditures (2008 est.) |
| Budget balance: | -7.7% of GDP (2009) |
| Public debt: | 172.1% of GDP (2008 est.) [cumulative debt of all government borrowing] |
| Exchange rates (per USD): | 92.15 (7 Jan 2010); 98.7 (6 May 2009); 105 (May 2008) |
| Economic aid-donor: | $7. 678 billion (2007) [ODA] |
| Debt-external: | $2.231 trillion (31 December 2008 est.) |
| Stock of direct foreign | |

| | |
|---|---|
| investment: | $135.4 billion-at home; $663.9 billion-abroad (2008 est.) |
| Market value of publicly traded shares: | $NA (31 Dec. 2008) |
| Distribution of family income-Gini index: | 38.1 (2002) |
| Unemployment rate: | 5.2% (Nov. 2009) |
| Labour force: | 66.5 million (2008 est.) |
| Oil production: | 47th (world rank, 2008) |
| Oil consumption: | 4th (world rank, 2008) |
| Natural gas production: | 49th (world rank, 2008) |
| Natural gas consumption: | 5th (world rank, 2008) |

**Military**

| | |
|---|---|
| Military expenditures: | 0.8% of GDP (2006) |

**Markets**

| | |
|---|---|
| Nikkei 225 index: | 10,681.83 (5 Jan 2010) |
| % change on 31 Dec. 2008: | +1.3 (local currency); -7.0 ($ terms) |
| Topix index: | 925.65 (4 Jan 2010) |
| % change on 31 Dec. 2008: | -1.4 (local currency); -9.5 ($ terms) |

**Trade**

| | |
|---|---|
| Trade balance: | $27.9 billion (latest year, Oct. 2009) |
| Trade to GDP ratio: | 31.5 (2005-2007) |
| Exports: | $746.5 billion f.o.b. (2008 est.) |
| Top export partners: | U.S. (17.8%); China (16%); Republic of Korea (7.6%); Hong Kong (5.1%) (2008) |
| Imports: | $708.3 billion f.o.b. (2008 est.) |
| Top import partners: | China (18.9%); U.S. (10.4%); Saudi Arabia (6.7%); Australia (6.2%); UAE (6.1%); Indonesia (4.3%) (2008) |

## Mexico

**Polity**

| | |
|---|---|
| Political party: | National Action Party |
| Chief of state: | President Felipe Calderon |
| Head of Government | President Felipe Calderon |
| Most recent election: | 2 Jul 2006 |
| Government: | Lower House — Minority; Upper House — Minority |
| Political system: | Federal Republic |
| Legislature: | Bicameral, elected Federal Chamber of Deputies, elected Senate |
| Capital: | Mexico City |
| Official language: | Spanish |
| Population: | 111,211,789; country comparison to the world: 11th (July 2009 est.) |
| Population growth rate: | 1.13%; country comparison to the world: 120th (2009 est.) |

**Economy**

| | |
|---|---|
| Currency: | Mexican peso (PS) |
| GDP (official exchange rate : | $1.088 trillion (2008 est.) |
| Predicted change: | -1.6% (Q4 2008); -4.4% (2009) |
| Composition by sector: | 3.8%-agriculture; 35.2%-industry; 61%-services (2008 est.) |
| Central bank interest rate: | 6.0% (Apr. 2009) |
| Official reserve assets: | NA |
| Foreign currency reserves: | $88,867 million (Mar. 2009) |

| | |
|---|---|
| Securities: | NA |
| IMF reserve position: | SDR503.06 million (Apr. 2009) |
| Special Drawing Rights: | $496 million (Mar. 2009) |
| Gold: | 175 million (Mar. 2009) |
| Financial derivatives: | NA |
| Loans to nonbank residents: | NA |
| Other reserve assets: | 637 Million (Mar 2009) |
| Commercial bank prime lending rate: | 8.71% (31 Dec. 2008) |
| Stock of money: | $92.34 billion (31 Dec. 2008) |
| Stock of quasi money: | $147.4 billion (31 Dec. 2008) |
| Stock of domestic credit: | $287 billion (31 Dec. 2008) |
| Household income or consumption by % share: | 1.8%-lowest 10%; 37.9%-highest 10% (2006) |
| Inflation rate (consumer prices): | 6.2% (2008 est.) |
| Investment (gross fixed): | 22.1% of GDP (2008 est.) |
| Current account balance: | $-11.2 billion (latest year, Q3. 2009) |
| Budget: | $257.1 billion-revenues; $258.1 billion-expenditures (2008 est.) |
| Budget balance: | -4.0% of GDP (2009) |
| Public debt: | 35.8% of GDP (2008 est.) [cumulative debt of all government borrowing] |
| Exchange rates (per USD): | 12.78 (7 Jan 2010);14.2 (Mar. 2009); 10.7 (Mar. 2008) |
| Economic aid-recipient: | $78.95 million (2007) |
| Debt-external: | $200.4 billion (31 Dec. 2008 est.) |
| Stock of direct foreign investment: | $289.8 billion-at home; 45.39 billion-abroad (Dec 31 2008 est.) |
| Market value of publicly traded shares: | $232.6 billion (31 Dec. 2008) |
| Distribution of family income-Gini index: | 47.9 (2006) |
| Unemployment rate: | 5.3% (Nov. 2009 est.) |
| Labour force: | 45.32 million (2008 est.) |
| Oil production: | 7th (world rank, 2008) |
| Oil consumption: | 12th (world rank, 2008) |
| Natural gas production: | 17th (world rank, 2008) |
| Natural gas consumption: | 13th (world rank, 2008) |

**Military**

| | |
|---|---|
| Military expenditures: | 0.5% of GDP; 161st in world rank (2006) |

**Markets**

| | |
|---|---|
| IPC index: | 32,952.82 (5 Jan. 2010) |
| % change on 31 Dec. 2008: | +6.8 (local currency); +11.7 ($ terms) |

**Trade**

| | |
|---|---|
| Trade balance: | $-6.5 billion (latest year, Nov. 2009) |
| Trade to GDP ratio: | 64.5 (2005-2007) |
| Exports: | $291.3 billion f.o.b. (2008 est.) |
| Top export partners: | U.S. (80.2%); Canada (2.4%); Germany (1.7%) (2008) |
| Imports: | $308.6 billion f.o.b. (2008 est.) |
| Top import partners: | U.S. (49.%); China (11.2%); Japan (5.3%); Republic of Korea (4.4%); Germany (4.1%) (2008) |

## Republic of Korea

**Polity**

| | |
|---|---|
| Political party: | Grand National Party |
| Chief of state: | President LEE Myung-bak |
| Head of State: | Prime Minister Chung Un-chan |
| Most recent election: | 9 April 2008 |
| Government: | Single House — Majority |
| Political system: | Presidential |
| Legislature: | Unicameral, elected National Assembly |
| Capital: | Seoul |
| Official language: | Korean |
| Population: | 48,508,972; country comparison to the world: $25^{th}$ (July 2008 est.) |
| Population growth rate: | 0.266%; country comparison to the world: $178^{th}$ (2009 est.) |

**Economy**

| | |
|---|---|
| Currency: | Won (W) |
| GDP (official exchange rate): | $929.1 billion (2008 est.) |
| Predicted change: | -4.3% (Q4 2009); -5.9% (2009) |
| Composition by sector: | 3%-agriculture; 39.5%-industry; 57.6%-services (2008 est.) |
| Central bank interest rate: | 2.0% (7 Jan. 2010) |
| Official reserve assets: | $264,187.00 million (Oct. 2009) |
| Foreign currency reserves: | $259,436.00 million (Oct. 2009) [in convertible foreign currencies] |
| Securities: | $235,776.00 million (Oct. 2009) |
| IMF reserve position: | $997.00 million (Oct. 2009) |
| Special Drawing Rights: | $3,791.00 million (Oct. 2009) |
| Gold: | $78.00 million (Oct. 2009) [including gold deposits and, if appropriate, gold swapped] |
| Financial derivatives: | $0.00 (Oct. 2009) |
| Loans to nonbank residents: | $0.00 (Oct. 2009) |
| Other reserve assets: | $-116.00 million (Oct. 2009) |
| Commercial bank prime lending rate: | 7.17% (31 Dec. 2008) |
| Stock of money: | $80.66 billion (31 Dec. 2008) |
| Stock of quasi money: | $478.0 billion (31 Dec. 2008) |
| Stock of domestic credit: | $937 billion (31 Dec. 2008) |
| Household income or consumption by % share: | 2.7%-lowest 10%; 24.2%-highest 10% (2007 est.) |
| Inflation rate (consumer prices): | 4.7% (2008 est.) |
| Investment (gross fixed): | 27.1% of GDP (2008 est.) |
| Current account balance: | $+41.9 billion (latest year, Nov. 2009) |
| Budget: | $227.5 billion-revenues; $216.7 billion-expenditures (2008 est.) |
| Budget balance: | -4.5% of GDP (2009) |
| Public debt: | 24.4% of GDP (2008 est.) [cumulative debt of all government borrowing] |
| Exchange rates (per USD): | 1,277.0 (May 2009); 1,026 (May 2008) |
| Economic aid-donor: | $699.06 million (2007) [ODA] |
| Debt-external: | $381.1 billion (31 Dec. 2008 est.) |
| Stock of direct foreign investment: | $124.2 billion-at home (31 Dec 2008 est.); $74.6 billion-abroad (30 June 2008) |
| Market value of publicly traded shares: | $494.6 billion (31 Dec. 2008) |
| Distribution of family income-Gini index: | 31.3 (2006) |
| Unemployment rate: | 3.5% (Nov. 2009) |

| | |
|---|---|
| Labour force: | 24.35 million (2008 est.) |
| Oil production: | 69th (world rank, 2008) |
| Oil consumption: | 11th (world rank, 2008) |
| Natural gas production: | 68th (world rank, 2008) |
| Natural gas consumption: | 25th (world rank, 2008) |

**Military**

| | |
|---|---|
| Military expenditures: | 2.7% of GDP; 58th world rank (2006) |

**Markets**

| | |
|---|---|
| KOSPI index: | 1,705 (6 Jan. 2010) |
| % change on 31 Dec. 2008: | +23.9 (local currency); +22.2 ($ terms) |

**Trade**

| | |
|---|---|
| Trade balance: | $+41.0 (latest year, Dec. 2009) |
| Trade to GDP ratio: | 85.7 (2005-2007) |
| Exports: | $433.5 billion f.o.b. (2008 est.) |
| Top export partners: | China (22.4%); U.S. (10.9%); Japan (6.6%); Hong Kong (4.6%) (2008) |
| Imports: | $427.4 billion f.o.b. (2008 est.) |
| Top import partners: | China (17.7%); Japan (14%); U.S. (8.9%); Saudi Arabia (7.8%); UAE (4.4%); Australia (4.1%) (2008) |

## Russia

**Polity**

| | |
|---|---|
| Political party: | United Russia |
| Chief of state: | President Dimitriy Medvedev |
| Head of State: | Premier Vladimir Putin |
| Most recent election: | 2 Mar 2008 |
| Government: | Lower House — Majority; Upper House — None |
| Political system: | Semi-presidential |
| Legislature: | Bicameral, elected Duma, appointed Federation Council |
| Capital: | Moscow |
| Official language: | Russian |
| Population: | 140,041,247; country comparison to the world: 9th (July 2009 est.) |
| Population growth rate: | -0.467%; country comparison to the world: 226th (2009 est.) |

**Economy**

| | |
|---|---|
| Currency: | Rouble (Rb) |
| GDP (official exchange rate): | $1.677 trillion (2008 est.) |
| Predicted change: | 1.2% (Q4 2008); -3.0% (2009) |
| Composition by sector: | 4.7%-agriculture; 37.6%-industry; 57.7%-services (2008 est.) |
| Central bank interest rate: | 12.0% (May 2009) |
| Official reserve assets: | $434,428.04million (Oct 2009) |
| Foreign currency reserves: | $378,228.93 million (Oct 2009) [in convertible foreign currencies] |
| Securities: | $348,868.66 million (Oct 2009) |
| IMF reserve position: | $1,954.34 million (Oct 2009) |
| Special Drawing Rights: | $9,021.90 million (Oct 2009) |
| Gold: | $20,406.77 million (Oct 2009) [including gold deposits and, if appropriate, gold swapped] |
| Financial derivatives: | $0.00 (Oct 2009) |
| Loans to nonbank residents: | $0.00 (Oct 2009) |
| Other reserve assets: | $24,24,816.11 million (Oct 2009) |
| Commercial bank prime | |

| | |
|---|---|
| lending rate: | 12.23% (31 Dec. 2008) |
| Stock of money: | $252.5 billion (31 Dec 2008) |
| Stock of quasi money: | $318.4 billion (31 Dec 2008) |
| Stock of domestic credit: | $367.2 billion (31 Dec 2008) |
| Household income or consumption by % share: | 1.9%-lowest 10%; 30.4%-highest 10% (Sep. 2007) |
| Inflation rate (consumer prices): | 14.1% (2008 est.) |
| Investment (gross fixed): | 22.1% of GDP (2008 est.) |
| Current account balance: | $40.8 billion (latest year, Q3 2009) |
| Budget: | $364.6 billion-revenues; $304.6 billion-expenditures (2008 est.) |
| Budget balance: | -8.0% of GDP (2009) |
| Public debt: | 6.5% of GDP (2008 est.) [cumulative debt of all government borrowing] |
| Exchange rates (per USD): | 32.8 (6 May 2009); 23.8 (May 2008) |
| Economic aid-recipient: | $982.7 million (FY 2006) [from U.S.] |
| Debt-external: | $438.5.1 billion (31 Dec. 2008 est.) |
| Stock of direct foreign investment: | $491.2 billion-at home (2007); $176.7 billion-abroad (31 Dec. 2008 est.) |
| Market value of publicly traded shares: | $397.2 billion (31 Dec. 2008 est.) |
| Distribution of family income-Gini index: | 41.5 (Sep. 2008) |
| Unemployment rate: | 8.1% (Nov. 2009) |
| Labour force: | 75.7 million (2008 est.) |
| Oil production: | 2nd (world rank, 2008) |
| Oil consumption: | 6th (world rank, 2008) |
| Natural gas production: | 1st (world rank, 2008) |
| Natural gas consumption: | 3rd (world rank, 2008) |

**Military**

| | |
|---|---|
| Military expenditures: | 3.9% of GDP; 30th in world rank (2005) |

**Markets**

| | |
|---|---|
| RTS index ($ terms): | 1444.61 (31 Dec 2009) |
| % change on 31 Dec. 2008: | +52.7 (local currency); +42.0 ($ terms) |

**Trade**

| | |
|---|---|
| Trade balance: | $104.1 billion (latest year, Nov. 2009) |
| Trade to GDP ratio: | 54.1 (2005-2007) |
| Exports: | $471.6 billion (2008 est.) |
| Top export partners: | Netherlands (11.2%); Italy (8.1%); Germany (8%); Turkey (6%); Ukraine (5.1%); Poland (4.5%); China (4.3%) (2008) |
| Imports: | $291.9 billion f.o.b. (2008 est.) |
| Top import partners: | Germany (13.5%); China (13.2%); Ukraine (6%); U.S. (4.5%); Italy (4.3%) (2008) |

## Saudi Arabia

**Polity**

| | |
|---|---|
| Political party: | None |
| Chief of state: | King and Prime Minister Abdallah bin Abd al-Aziz Al Saud |
| Head of State: | King and Prime Minister Abdallah bin Abd al-Aziz Al Saud |
| Most recent election: | None |
| Government: | None |

| | |
|---|---|
| Political system: | Absolute monarchy |
| Legislature: | Monarchy |
| Capital: | Riyadh |
| Official language: | Arabic |
| Population: | 28,686,633; country comparison to the world: 41st (July 2009 est.) |
| Population growth rate: | 1.848%; country comparison to the world: 69th (2009 est.) |

**Economy**

| | |
|---|---|
| Currency: | Riyal (SR) |
| GDP (official exchange rate): | $469.4 billion (2008 est.) |
| Predicted change: | 4.2% (2008); -1.0% (2009) |
| Composition by sector: | 3.1%-agriculture; 61.9%-industry; 35.0%-services (2008 est.) |
| Central bank interest rate: | NA |
| Official reserve assets: | NA |
| Foreign currency reserves: | NA |
| Securities: | NA |
| IMF reserve position: | SDR 1,136.61 million (Feb. 2009) |
| Special Drawing Rights: | NA |
| Gold: | NA |
| Financial derivatives: | NA |
| Loans to nonbank residents: | NA |
| Other reserve assets: | NA |
| Commercial bank prime lending rate: | NA |
| Stock of money: | $113.2 billion (31 Dec. 2008) |
| Stock of quasi money: | $134.3 billion (31 Dec. 2008) |
| Stock of domestic credit: | $66.94 billion (31 Dec. 2007) |
| Household income or consumption by % share: | NA |
| Inflation rate (consumer prices): | 9.9% (2008 est.) |
| Investment (gross fixed): | 19.4% of GDP (2008 est.) |
| Current account balance: | $134.0 billion (2008 est.) |
| Budget: | $293.7 billion-revenues; $136.0 billion-expenditures (2008 est.) |
| Budget balance: | -0.9% of GDP (2009) |
| Public debt: | 18.9% of GDP (2008 est.) [cumulative debt of all government borrowing] |
| Exchange rates (per USD): | 3.75 (May 2009); 3.75 (May 2008) |
| Economic aid: | NA |
| Debt-external: | $82.13 billion (31 Dec. 2008 est.) |
| Stock of direct foreign investment: | $108.5 billion – at home; 18.07 billion – abroad (31 Dec. 2008 est.) |
| Market value of publicly traded shares: | $246.3 billion (31 December 2008) |
| Distribution of family income-Gini index: | NA |
| Unemployment rate: | 8.8 (local bank estimate 2008; other estimates vary significantly) |
| Labour force: | 6.74 million (2008 est.) [about 1/3 of the population aged 15-64 is non-national] |
| Oil production: | 1st (world rank, 2008) |
| Oil consumption: | 9th (world rank, 2008) |
| Natural gas production: | 9th (world rank, 2008) |
| Natural gas consumption: | 11th (world rank, 2008) |

**Military**

| | |
|---|---|
| Military expenditures: | 10% of GDP; 3rd in world rank (2005) |

**Markets**

| | |
|---|---|
| Tadawul index: | 6,260.90 (6 Jan 2010) |
| % change on 31 Dec. 2008: | +20.8 (local currency); +20.9 ($ terms) |

**Trade**

| | |
|---|---|
| Trade balance: | $212.0 billion (latest year, 2008) |
| Trade to GDP ratio: | 86.7 (2005-2007) |
| Exports: | $313.4 billion f.o.b. (2008 est.) |
| Top export partners: | U.S. (17.1%); Japan (15.2%); Republic of Korea (10.1%); China (9.3%); India (7%); Singapore (4.4%) (2008) |
| Imports: | $108.3 billion f.o.b. (2008 est.) |
| Top import partners: | U.S. (12.2%); China (10.5%); Japan (7.7%); Germany (7.4%); Republic of Korea (5.1%); Italy (4.8%); India (4.2%); UK (4.1%) (2008) |

## South Africa

**Polity**

| | |
|---|---|
| Political party: | African National Congress |
| Chief of state: | President Jacob Zuma |
| Head of State: | President Jacob Zuma |
| Most recent election: | 22 Apr 2009 |
| Government: | Lower House — Majority; Upper House — Majority |
| Political system: | Parliamentary |
| Legislature: | Bicameral, elected National Assembly, elected National Council of Provinces |
| Capital: | Pretoria |
| Official language: | Afrikaans, English |
| Population: | 49,052,489; country comparison to the world: 24th (July 2009 est.) |
| Population growth rate: | 0.281%; country comparison to the world: 173rd (2009 est.) |

**Economy**

| | |
|---|---|
| Currency: | Rand (R) |
| GDP (official exchange rate): | $276.8 billion (2008 est.) |
| Predicted change: | 1.0% (Q4 2008); -1.8% (2009) |
| Composition by sector: | 3.3%-agriculture; 33.7%-industry; 63.0%-services (2008 est.) |
| Central bank interest rate: | 7.0% (7 Jan. 2009) |
| Official reserve assets: | $39,789.00 million (Oct. 2009) |
| Foreign currency reserves: | $32, 764.00 million (Oct. 2009) [in convertible foreign currencies] |
| Securities: | $1,518.00 million (Oct. 2009) |
| IMF reserve position: | $0.00 (Oct. 2009) |
| Special Drawing Rights: | $2,838.20 million (Oct. 2009) |
| Gold: | $4,186.90 million (Oct. 2009) [including gold deposits and, if appropriate, gold swapped] |
| Financial derivatives: | $0.00 (Oct. 2009) |
| Loans to nonbank residents: | $0.00 (Oct. 2009) |
| Other reserve assets: | $0.00 (Oct. 2009) |
| Commercial bank prime lending rate: | 15.13% (31 Dec. 2008) |
| Stock of money: | $44.66 billion (31 Dec. 2008) |
| Stock of quasi money: | $124.1 billion (31 Dec. 2008) |
| Stock of domestic credit: | $214.8 billion (31 Dec. 2008) |
| Household income or consumption by % share: | 1.3%-lowest 10%; 44.7%-highest 10% (2000) |
| Inflation rate (consumer | |

| | |
|---|---|
| prices): | 11.3% (2008 est.) |
| Investment (gross fixed): | 23.2% of GDP (2008 est.) |
| Current account balance: | $-12.0.0 billion (latest year, Q3 2009) |
| Budget: | $77.43 billion-revenues; $79.9 billion-expenditures (2008 est.) |
| Budget balance: | -5.0% of GDP (2009) |
| Public debt: | 31.6% of GDP (2008 est.) [cumulative debt of all government borrowing] |
| Exchange rates (per USD): | 7.33 (7 Jan 2010); 8.47 (May 2009); 7.52 (May 2008) |
| Economic aid-recipient: | $597.18 million (2007) |
| Debt-external: | $71.81 billion (31 Dec. 2008 est.) |
| Stock of direct foreign investment: | $120 billion-at home; $63.57 billion-abroad (31 Dec. 2008 est.) |
| Market value of publicly traded shares: | $491.3 billion (31 Dec. 2008) |
| Distribution of family income-Gini index: | 65.0 (2005) |
| Unemployment rate: | 24.5% (Sept 2009) |
| Labour force: | 17.79 million (2008 est.) [economically active] |
| Oil production: | 41st (world rank, 2008) |
| Oil consumption: | 30th (world rank, 2008) |
| Natural gas production: | 53rd (world rank, 2008) |
| Natural gas consumption: | 54th (world rank, 2008) |

**Military**

| | |
|---|---|
| Military expenditure: | 1.7% of GDP; 98th world rank (2006) |

**Markets**

| | |
|---|---|
| JSE AS index: | 27,998.87 (6 Jan. 2010) |
| % change on 31 Dec. 2008: | +1.3 (local currency); -10.6 ($ terms) |

**Trade**

| | |
|---|---|
| Trade balance: | $-2.5 billion (latest year, Nov. 2009) |
| Trade to GDP ratio: | 62.1 (2005-2007) |
| Exports: | $86.12 billion f.o.b. (2008 est.) |
| Top export partners: | U.S. (11.1%); Japan (11.1%); Germany (8.0%); UK (6.8%); China (6.%); Netherlands (5.2%) (2008) |
| Imports: | $90.57 billion f.o.b. (2008 est.) |
| Top import partners: | Germany (11.2%); China (11.1%); U.S. (7.9%); Saudi Arabia (6.2%); Japan (5.5%); UK (4.0%) (2008) |

## Turkey

**Polity**

| | |
|---|---|
| Political party: | Justice and Development Party (AKP) |
| Chief of state: | President Abdullah Gul |
| Head of State: | Prime Minister Recep Tayyip Erddogan |
| Most recent election: | 22 Jul 2007 |
| Government: | Single House — Majority |
| Political system: | Parliamentary |
| Legislature: | Unicameral, elected Grand National Assembly |
| Capital: | Ankara |
| Official language: | Turkish |
| Population: | 76,805,524; country comparison to the world: 17th (July 2009 est.) |
| Population growth rate: | 1.312; country comparison to the world: 102nd (2009 est.) |

**Economy**

| | |
|---|---|
| Currency: | Turkish lira (YTL) |
| GDP (official exchange rate): | $730.0 billion (2008 est.) |
| Predicted change: | -6.2.% (Q4 2008); -4.4% (2009) |
| Composition by sector: | 8.8%-agriculture; 27.5%-industry; 63.8%-services (2008 est.) |
| Central bank interest rate: | 6.50% (7 Jan 2010) |
| Official reserve assets: | $75,905.47 million (Nov. 2009) |
| Foreign currency reserves: | $69,750.01 million (Nov. 2009) [in convertible foreign currencies] |
| Securities: | $65,330.62 million (Nov. 2009) |
| IMF reserve position: | $181.00 million (Nov. 2009) |
| Special Drawing Rights: | $1,559.00 million (Nov. 2009) |
| Gold: | $4,415.46 million (Nov. 2009) [including gold deposits and, if appropriate, gold swapped] |
| Financial derivatives: | $0.00 (Nov. 2009) |
| Loans to nonbank residents: | $0.00 (Nov. 2009) |
| Other reserve assets: | $0.00 (Nov. 2009) |
| Commercial bank prime lending rate: | NA |
| Stock of money: | $53.25 billion (31 Dec. 2008) |
| Stock of quasi money: | $248.4 billion (31 Dec. 2008) |
| Stock of domestic credit: | $326.4 billion (31 Dec. 2008) |
| Household income or consumption by % share: | 1.9%-lowest 10%; 33.2%-highest 10% (2005) |
| Inflation rate (consumer prices): | 10.2% (2008 est.) |
| Investment (gross fixed): | 20.3% of GDP (2008 est.) |
| Current account balance: | $-11.4 billion (latest year, Oct. 2009) |
| Budget: | $160.5 billion-revenues; $173.6 billion-expenditures (2008 est.) |
| Budget balance: | -6.3% of GDP (2009) |
| Public debt: | 40% of GDP (2008 est.) [cumulative debt of all government borrowing] |
| Exchange rates (per USD): | 1.57 (6 May 2009); 1.25 (May 2008) |
| Economic aid-recipient: | $237.45 million (2007) |
| Debt-external: | $278.1 billion (31 Dec. 2008 est.) |
| Stock of direct foreign investment: | $128.7 billion-at home; $14.8 billion-abroad (31 Dec 2008 est.) |
| Market value of publicly traded shares: | $117.9 billion (31 Dec. 2008) |
| Distribution of family income-Gini index: | 43.6 (2003) |
| Unemployment rate: | 13.4% (Sept. 2009) |
| Labour force: | 24.06 million (2008 est.) [about 1.2 million Turks work abroad] |
| Oil production: | 64th (world rank, 2008) |
| Oil consumption: | 27th (world rank, 2008) |
| Natural gas production: | 63rd (world rank, 2008) |
| Natural gas consumption: | 23th (world rank, 2008) |

**Military**

| | |
|---|---|
| Military expenditures: | 5.3% of GDP; 17th world rank (2005) |

**Markets**

| | |
|---|---|
| ISE index: | 68,929.90 (6 Jan 2010) |
| % change on 31 Dec. 2008: | +25.5 (local currency); +23.6 ($ terms) |

**Trade**

| | |
|---|---|
| Trade balance: | $-37.0 billion (latest year, Nov. 2009) |
| Trade to GDP ratio: | 48.5 (2005-2007) |

| | |
|---|---|
| Exports: | $140.7 billion f.o.b. (2008 est.) |
| Top export partners: | Germany (9.8%); UK (6.2%); Italy (5.9%); France (5%); Russia (4.9%)(2008) |
| Imports: | $193.9 billion f.o.b. (2008 est.) |
| Top import partners: | Russia (15.5%); Germany (9.3%); China (7.8%); U.S. (5.9%) Italy (5.5%); France (4.5%); Iran (4.1%) (2008) |

## United Kingdom

**Polity**

| | |
|---|---|
| Political party: | Labour Party |
| Chief of state: | Queen Elizabeth II |
| Head of Government: | Prime Minister James Gordon Brown |
| Most recent election: | 5 Oct 2005 |
| Government: | Lower House — Majority; Upper House — Majority |
| Political system: | Parliamentary |
| Legislature: | Bicameral, elected House of Commons, appointed House of Lords |
| Capital: | London |
| Official language: | English |
| Population: | 61,133,205; country comparison to the world: 22nd (July 2009 est.) |
| Population growth rate: | 0.279%; country comparison to the world: 175th (July 2009 est.) |

**Economy**

| | |
|---|---|
| Currency: | British pound (£) |
| GDP (official exchange rate): | $2.68 trillion (2008 est.) |
| Predicted change: | -4.1% (Q1 2009); -3.7% (2009) |
| Composition by sector: | 1.3%-agriculture; 24.2%-industry; 74.5%-services (2008 est.) |
| Central bank interest rate: | 0.5% (7 Jan. 2010) |
| Official reserve assets: | $21,868.00 million (Nov. 2009) |
| Foreign currency reserves: | $7,730.00 million (Nov. 2009) [in convertible foreign currencies] |
| Securities: | $6,715.00 million (Nov. 2009) |
| IMF reserve position: | $0.00 million (Nov. 2009) |
| Special Drawing Rights: | $0.00 million (Nov. 2009) |
| Gold: | $0.00 million (Nov. 2009) [including gold deposits and, if appropriate, gold swapped] |
| Financial derivatives: | $-682.00 million (Nov. 2009) |
| Loans to nonbank residents: | $0.00 (Nov. 2009) |
| Other reserve assets: | $14,499.00 million Nov. 2009) |
| Commercial bank prime lending rate: | 4.63% (31 Dec. 2008) |
| Stock of money: | NA (31 Dec. 2008) |
| Stock of quasi money: | NA (31 Dec. 2008) |
| Stock of domestic credit: | $NA (31 Dec. 2008) |
| Household income or consumption by % share: | 2.1%-lowest 10%; 28.5%-highest 10% (1999) |
| Inflation rate (consumer prices): | 3.6% (2008 est.) |
| Investment (gross fixed): | 16.7% of GDP (2008 est.) |
| Current account balance: | $-28.2 billion (lQ3 2009) |
| Budget: | $1.056 trillion-revenues; $1.214 trillion-expenditures (2008 est.) |
| Budget balance: | -14.5% of GDP (2009) |
| Public debt: | 47.2% of GDP (2008 est.) [cumulative debt of all government borrowing] |
| Exchange rates (per USD): | 0.63 (7 Jan 2010); 0.66 (7 May 2009); 0.51 (May 2008) |

| | |
|---|---|
| Economic aid-donor: | $9. 848 billion (2007) [ODA] |
| Debt-external: | $9.041 trillion (31 Dec. 2008) |
| Stock of direct foreign investment: | $1.445 trillion-at home; $1.567 trillion-abroad (31 Dec 2008 est.) |
| Market value of publicly traded shares: | $5.277trillion (31 Dec. 2007) |
| Distribution of family income-Gini index: | 34.0 (2005) |
| Unemployment rate: | 7.9% (Oct. 2009) |
| Labour force: | 31.23 million (2008 est.) |
| Oil production: | 19th (world rank, 2008) |
| Oil consumption: | 15th (world rank, 2008) |
| Natural gas production: | 14th (world rank, 2008) |
| Natural gas consumption: | 6th (world rank, 2008) |

**Military**

| | |
|---|---|
| Military expenditures: | 2.4% of GDP; 70th world rank (2005 est.) |

**Markets**

| | |
|---|---|
| FTSE 100 index: | 5,530.04 (6 Jan 2010) |
| % change on 31 Dec. 2008: | -0.8 (local currency); +3.8 ($ terms) |

**Trade**

| | |
|---|---|
| Trade balance: | $-126.8 billion (latest year, Oct. 2009) |
| Trade to GDP ratio: | 57.7 (2005-2007) |
| Exports: | $466.3 billion f.o.b. (2008 est.) |
| Top export partners: | U.S. (13.8%); Germany (11.5%); Netherlands (7.8%); France (7.6%); Ireland (7.5%); Belgium (5.3%); Spain (4.1 (2008) |
| Imports: | $639.3 billion f.o.b. (2008 est.) |
| Top import partners: | Germany (13.1%); U.S. (8.7%); China (7.5%); Netherlands (7.4%); France (6.8%); Norway (6%); Belgium (4.7%); Italy (4.1%) (2008) |

## United States

**Polity**

| | |
|---|---|
| Political party: | Democratic Party |
| Head of State: | President Barack Obama |
| Most recent election: | 4 Nov 2008 |
| Government: | Lower House — Minority; Upper House — Minority |
| Political system: | Presidential |
| Legislature: | Bicameral, elected House of Representatives, elected Senate |
| Capital: | Washington DC |
| Official language: | English |
| Population: | 307,212,123; country comparison to the world: 3rd (July 2009 est.) |
| Population growth rate: | 0.975%; country comparison to the world: 129th (2009 est.) |

**Economy**

| | |
|---|---|
| Currency: | Dollar ($) |
| GDP (official exchange rate): | $14.44 trillion (2008 est.) |
| Predicted change: | -2.6% (Q1 2009); -2.9% (2009) |
| Composition by sector: | 1.2%-agriculture; 19.2%-industry; 79.6%-services (2008 est.) |
| Central bank interest rate: | 0.25% (7 Jan Dec. 2010) |
| Official reserve assets: | $133,165.97 million (24 Dec. 2009) |
| Foreign currency reserves: | $46,143.87 million (24 Dec. 2009) [in convertible foreign currencies] |

| | |
|---|---|
| Securities: | $24,431.00 million (24 Dec. 2009) |
| IMF reserve position: | $13,416.89 million (24 Dec. 2009) |
| Special Drawing Rights: | $57,370.15million (24 Dec. 2009) |
| Gold: | $11,041.06 million (24 Dec. 2009) [including gold deposits and, if appropriate, gold swapped] |
| Financial derivatives: | $0.00 (24 Dec. 2009) |
| Loans to nonbank residents: | $0.00 (24 Dec.2009) |
| Other reserve assets: | $5,194.00million (24 Dec. 2009) |
| Commercial bank prime lending rate: | 5.09% (31 Dec. 2008) |
| Stock of money: | $1.436 trillion (31 Dec. 2008) |
| Stock of quasi money: | $10.99 trillion (31 Dec. 2008) |
| Stock of domestic credit: | $15.06 trillion (31 Dec. 2008) |
| Household income or consumption by % share: | 2.0%-lowest 10%; 30.0%-highest 10% (2007 est.) |
| Inflation rate (consumer prices): | 3.8% (2008 est.) |
| Investment (gross fixed): | 14.3% of GDP (2008 est.) |
| Current account balance: | $-465.3 billion (latest year, Q3 2009) |
| Budget: | $2.524 trillion-revenues; $2.978 trillion-expenditures (2008 est.) |
| Budget balance: | -11.9% of GDP (2009) |
| Public debt: | 37.5% of GDP (2008 est.) [cumulative debt of all government borrowing] |
| Exchange rates (per USD): | NA |
| Economic aid-donor: | $21. 786.9 billion (2007) |
| Debt-external: | $13.75trillion (31 Dec. 2008) |
| Stock of direct foreign investment: | $2.367 trillion-at home; $3.162 trillion-abroad (31 Dec 2008 est.) |
| Market value of publicly traded shares: | $19.95 trillion (31 Dec. 2007) |
| Distribution of family income-Gini index: | 45.0 (2007) |
| Unemployment rate: | 10.0% (Nov. 2009) |
| Labour force: | 154.3 million (2008 est.) [includes unemployed] |
| Oil production: | 3rd (world rank, 2008) |
| Oil consumption: | 1st (world rank, 2008) |
| Natural gas production: | 2nd (world rank, 2008) |
| Natural gas consumption: | 1st (world rank, 2008) |

**Military**

| | |
|---|---|
| Military expenditures: | 4.06% of GDP; 28th world rank (2005) |

**Markets**

| | |
|---|---|
| DJIA index: | 10,578.44 (6 Jan 2010) |
| % change on 31 Dec. 2008: | -3.0 (local currency); -3.0 ($ terms) |
| S&P 500 index: | 1,137.66 (6 Jan 2010) |
| % change on 31 Dec. 2008: | -+1.8 (local currency); +1.8 ($ terms) |
| NAScomp index: | 2,300.21 (6 Jan 2010) |
| % change on 31 Dec. 2008: | +11.5 (local currency); +11.5 ($ terms) |

**Trade**

| | |
|---|---|
| Trade balance: | $-523.9 billion (latest year, Oct. 2009) |
| Trade to GDP ratio: | 27.3 (2005-2007) |
| Exports: | $1.277 trillion f.o.b. (2008 est.) |
| Top export partners: | Canada (20.1%); Mexico (11.7%); China (5.5%); Japan (5.1%); Germany (4.2%); UK (4.1%); (2008) |

| | |
|---|---|
| Imports: | $2.117 trillion f.o.b. (2008 est.) |
| Top import partners: | China (16.5%); Canada (15.7%); Mexico (10.1%); Japan (6.6%); Germany (4.6%) (2008) |

## European Union

**Polity**

| | |
|---|---|
| Chief of the Union: | President of the European Commission Jose Manuel Durao Barroso |
| Political party: | European People's Party — European Democrats |
| Most recent election: | 4-7 June 2009 |
| Government: | Lower House — Minority; Upper House — None |
| Political system: | Parliamentary |
| Legislature: | Bicameral, elected Parliament, indirectly elected council |
| Official language: | Bulgarian, Czech, Danish, Dutch, English, Estonian, Finnish, French, German, Greek, Hungarian, Irish, Italian, Latvian, Lithuanian, Maltese, Polish, Portuguese, Romanian, Slovak, Slovene, Spanish, Swedish |
| Population: | 491,582,852 (July 2009 est.) |
| Population growth rate: | 0.108% (2009 est.) |

**Economy**

| | |
|---|---|
| Currency: | Euro (€) |
| GDP (official exchange rate ): | $18.14 trillion (2008 est.) |
| Predicted change: | -1.5% (Q4 2008); -3.7% (2009) [Euro Area] |
| Composition by sector: | 2.0%-agriculture; 27.1%-industry; 70.9%-services (2008 est.) |
| Central bank interest rate: | 1.0% (7 Jan 2010) [European Monetary Union] |
| Official reserve assets: | $67,886.12 million (Oct. 2009) [European Central Bank]; $648,055.00 million (Oct. 2009) [Eurosystem] |
| Foreign currency reserves: | $50,618.96 million (Oct. 2009) [in convertible foreign currencies, European Central Bank], $196,171.04 million (Oct. 2009) [in convertible foreign currencies, Eurosystem] |
| Securities: | $48,037.84 million (Oct. 2009) [European Central Bank], $165,342.64 million (Oct. 2009) [Eurosystem] |
| IMF reserve position: | $0.0 million (Oct. 2009) [European Central Bank], $17,191.68 million [Eurosystem] |
| Special Drawing Rights: | $506.16 million (Oct. 2009) [European Central Bank], $73,295.52 million (Oct. 2009) [Eurosystem] |
| Gold: | $16,766 million (Oct. 2009) [including gold deposits and, if appropriate, gold swapped, European Central Bank], $361,085.96 million (Oct. 2009) [including gold deposits and, if appropriate, gold swapped, Eurosystem] |
| Financial derivatives: | $-5.92 million (Oct. 2009) [European Central Bank], $307.84 million (Oct. 2009) [Eurosystem] |
| Loans to nonbank xresidents: | $0.00 (Oct. 2009) [European Central Bank], $0.00 (Oct. 2009) [Eurosystem] |
| Other reserve assets: | $-5.92 (Oct. 2009) [European Central Bank], $3.10 million (Oct. 2009) [Eurosystem] |
| Commercial bank prime lending rate: | 8.6% (31 Dec. 2008) |
| Stock of money: | $5.679 trillion (31 Dec. 2008) [Euro Area] |
| Stock of quasi money: | $11.38 trillion (31 Dec. 2008) [Euro Area] |
| Stock of domestic credit: | $21.17 trillion (31 Dec. 2008) [Euro Area] |
| Household income or consumption by % share: | 2.8%-lowest 10%; 25.2%-highest 10% (2001 est.) |
| Inflation rate (consumer prices): | 3.0% (2008 est.) |
| Investment (gross fixed): | 21.0% of GDP (2008 est.) |

| | |
|---|---|
| Current account balance: | $-109.6 billion (latest year, Oct. 2009) [Euro Area] |
| Budget: | NA |
| Budget balance: | -6.5% of GDP (2009) [Euro Area] |
| Public debt: | NA |
| Exchange rates (per USD): | 0.7 (7 Jan 2010); 0.75 (6 May 2009); 0.65 (May 2008) |
| Economic aid-donor: | NA |
| Debt-external: | NA |
| Stock of direct foreign investment: | NA |
| Market value of publicly traded shares: | NA |
| Distribution of family income-Gini index: | 31.0 (2005 est.) |
| Unemployment rate: | 9.8% (Oct. 2009) [Euro Area] |
| Labour force: | 224.4 million (2008 est.) |
| Oil production: | $11^{th}$ (world rank, 2008) |
| Oil consumption: | $2^{nd}$ (world rank, 2008) |
| Natural gas production: | $3^{rd}$ (world rank, 2008) |
| Natural gas consumption: | $2^{nd}$ (world rank, 2008) |

**Military**

| | |
|---|---|
| Military expenditures: | N/A |

**Markets**

| | |
|---|---|
| FTSE Euro 100 index: | 2,260.37 (6 Jan 2010) |
| % change on 31 Dec. 2008: | +1.0 (local currency); -3.4 ($ terms) |
| DJ STOXX 50 index: | 2,617.35 (6 Jan. 2010) |
| % change on 31 Dec. 2008: | -0.4 (local currency); -4.7 ($ terms) |

**Trade**

| | |
|---|---|
| Trade balance: | $+14.5 billion (latest year, Oct 2009) [Euro Area] |
| Trade to GDP ratio: | 26.4 (2004-2006) |
| Exports: | $1.952 trillion f.o.b. (2007) [external exports, excluding intra-EU trade] |
| Top export partners: | NA |
| Imports: | $1.69 trillion f.o.b. (2007) [external imports, excluding intra-EU trade] |
| Top import partners: | NA |

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