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G-20 IN LONDON

More Oversight and \$1 Trillion for World Economy

On Thursday in London, the G-20 agreed to inject \$1 trillion into the global economy and to significantly strengthen financial oversight. Chancellor Merkel called the agreement an "almost historic compromise."

On Wednesday, eyebrows were raised when German Chancellor Angela Merkel and French President Nicolas Sarkozy went before the press to demand in no uncertain terms that the G-20 do more to strengthen regulation of global financial markets. On Thursday, the two leaders appeared to be getting everything they asked for.



DDP

German Chancellor Angela Merkel was pleased by the results of the G-20 summit in London.

G-20 leaders, gathered in London this week to find a common response to the global economic meltdown, agreed to significantly tighten oversight of the global financial markets. Merkel and Sarkozy had rejected earlier drafts of the statement for lacking bite when it came to financial oversight. Now, the G-20 has agreed to the creation of blacklists of tax havens in addition to measures to tighten rules pertaining to hedge funds and credit rating agencies. An oversight body will also be created.

Chancellor Merkel praised the outcome of the summit for reaching a "very, very good, almost historic compromise." She said "we have agreed on the development of a clear financial architecture."

In addition to the increased regulation, the G-20 leaders agreed to pump \$1 trillion into the global economy, to be distributed through the International Monetary Fund and the World Bank. Stock markets around the world jumped upward on the news, with the Dow moving over 8,000 points for the first time in two months. The closing statement says the measures agreed to at the conference will result in an increase of world economic output by 4 percent by the end of next year.

"This is the day that the world came together to fight back against the global recession," said British Prime Minister Gordon Brown. "Not with words, but a plan for global recovery and for reform and with a clear timetable."

In addition to the economic stimulus package, the G-20 on Thursday also agreed to triple the funding available to the International Monetary Fund to \$750 billion (€560 billion). The money is intended to better equip the IMF to help countries who have been hard hit by the financial crisis. Germany will likely be responsible for between 6 percent and 10 percent of the additional funds.

"There's a lot of progress today on making sure the international institutions we have, like the IMF, have

got the money they need ... to be able to intervene more decisively and more urgently than in the past," said British Chancellor of the Exchequer Alistair Darling.

According to wire reports, the reform will also include more influence for the IMF in developing countries such as China, India and Brazil. In return, Beijing has pledged a significant contribution to the additional IMF money. So far the IMF had been outfitted with \$250 billion, but as a number of countries around the world look needy in the face of the financial meltdown, the fund started asking for more money late last year.

Prior to the summit, a split appeared to develop between the Anglo-American approach, which emphasized economic stimulus measures, and the continental European approach, which demanded tight financial regulation. US President Barack Obama, eager to avoid dissent at his first foray onto the world diplomatic stage, said on Wednesday that the differences had been "vastly overstated."

On Thursday, it became apparent that the G-20 elected to do both. Brown announced at the Thursday afternoon press conference that a new body would be established to monitor the global financial system in an effort to spot potential problems before a new crisis could develop. The oversight body will be created together with the IMF, Brown said.

The summit on Thursday was once again accompanied by protests, but by mid-afternoon, they appeared to be much smaller than the marches staged on Wednesday. According to the BBC, only about 200 demonstrators had gathered in front of the convention hall where the meetings were taking place. Furthermore, hundreds of protesters were gathered in front of the Bank of England in central London. Some 4,700 police were on hand to provide security for the event.

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