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Forum's high ambitions deliver meagre results

By Chris Giles in Cannes and Alan Beattie in London

Self-styled as “the premier forum for our international economic co-operation”, the Group of 20’s latest summit failed to live up to its central ambition to create “strong, stable and balanced” global economic growth.

As they arrived in Cannes, the leaders of countries representing 85 per cent of global output found the agenda dominated by political turmoil in Greece and a eurozone crisis too hot for the G20 to handle. They had little success in making progress on their medium-term goals.

The G20 all but admitted that the so-called “Doha round” of trade talks, launched in December 2001, was dead; it produced an action plan for growth and jobs that committed countries to almost nothing they were not already pursuing; and left the international monetary system almost unchanged.

Professor Eswar Prasad of Cornell University and a former senior official at the International Monetary Fund said: “Rather than provide new ideas to promote global financial stability, the G20 has offered grandiose but vague promises for the future and a series of short-term fixes that are hostage to political circumstances in individual countries.”

The one area in which some progress was made in the official communiqué was on exchange rates, where all the G20 agreed that “exchange rate regimes that are currently relatively inflexible will be made more flexible more swiftly, including China”.

But in a sign that China was not committing itself to fundamental change in its currency policies, Hu Jintao, its president, made no mention of exchange rates in his speech to the G20, and declared that “strong growth [in China] is the primary goal in pursuing strong, stable and balanced [global] growth”.

China repeated its commitment to slow down its accumulation of foreign exchange reserves, according to the communiqué, something it has said repeatedly since 2006 as its reserves have grown at ever faster rates to a level of \$3,000bn.

One of the few concrete announcements made was to pull the plug on the Doha global trade negotiations. The round – formally called the “Doha development agenda” – has in effect been in abeyance since the collapse of the last ministerial meeting in 2008, despite attempts by the G20 and politicians such as Gordon Brown, former UK prime minister, and David Cameron, his successor, to claim the talks were making progress.

“We stand by the Doha development agenda mandate,” the communiqué said. “However, it is clear that we will not complete the DDA if we continue to conduct negotiations as we have in the past.” The G20 leaders called on a ministerial meeting, which is due to be held next month in Geneva, to discuss “fresh, credible approaches to furthering negotiations” that could include parts of the Doha round if feasible.

Dan Price of the Rock Creek Global Advisors consultancy, a trade lawyer and formerly George W. Bush’s White House representative at the G20, said: “For the first time, leaders recognised that the Doha negotiations will not succeed on the basis of the current negotiations.” The G20 “recognised that it is unlikely to produce an adequate outcome”, he added.

Although ministers are likely to be able to announce Russia’s accession to the WTO at next month’s meeting, attempts to agree separate parts of the Doha round including a deal for the poorest countries have already stalled on fresh disagreements between the big trading powers.

Nicolas Sarkozy, French president, hailed elements of the “action plan for growth and jobs” as an “excellent thing”. It described the steps Europe is taking to defuse the eurozone crisis and outlined existing economic policies of other countries.

Some nations with sound public finances – Australia, Brazil, Canada, China, Germany, Korea and Indonesia – committed to “additional measures to support domestic demand if the economic situation worsens”.

In the medium term the G20 said “surplus countries will take measures to support domestic demand” and all countries signed up to “structural reforms needed to enhance potential growth and jobs”. The same countries have made similar pledges for the past five years since the IMF set up what was then known as “the multilateral consultation on global imbalances”.

With so many promises and such meagre results, Prof Prasad said the G20 was increasingly irrelevant. “We are left with a tumultuous world economy at the brink of disaster or at least prolonged stagnation and vulnerability,” he said.

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