

G20 ministers seek to counter scepticism

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Finance ministers and central bank governors from the Group of 20 leading nations will attempt this weekend to put flesh on the bare bones of the group's plan for stronger and more balanced growth as the world emerges from recession.

Meeting for the third time this year, the finance ministers' gathering in St Andrews, Scotland, will seek to counter the lingering scepticism that the new "framework for strong, sustainable and balanced growth" is another example of toothless international posturing that will have little practical impact.

Officials in the UK, which is chairing the meeting, said the difference between the G20 process and previous failed attempts to secure policy commitments from individual countries was the political drive behind the current agreement. "This is the G20 countries themselves owning and leading it – and more committed to the outcomes," one British official said.

But many onlookers remain to be convinced that the G20 will be able to secure agreement on a sensible framework, let alone get countries to change their economic policies against their will.

Eswar Prasad of Cornell University and a former senior IMF official, argued: "Noble intentions to put in place national policies that are in the collective global interest are set to collide with the harsh reality that macroeconomic policymaking tends to be governed by short-term, narrow national interests."

The meeting comes on the back of the G20 summit in Pittsburgh in September, where world leaders agreed that a four-stage framework to secure a stronger and better balanced global economy would be "launched" this weekend.

According to the communiqué, G20 countries would first agree "shared policy objectives"; then each country would set out their forecasts and domestic policy frameworks; the IMF would assess each country's policies and declare whether these were collectively consistent with the objectives; and, if not, leaders would "agree any actions to meet our common objectives".

If there is to be a launch at the meeting in St Andrews, the hosts certainly are playing down expectations. Finance ministers and central bank governors aimed to define the nuts and bolts of the data each country needed to submit to the process, UK officials said. There is no agreement yet on other parts of the framework.

If this minimum goal can be achieved, G20 officials hope the full framework might be agreed at a summit in South Korea in November 2010. But even if a framework is agreed, economists with a long history of following the international debate remain sceptical the process will be a success.

Raghuram Rajan, a former IMF chief economist who now teaches at Chicago University, told Bloomberg: "The political calculus never likes short-term pain for long-term gain."

The difficulty in achieving consensus on global problems has arisen in the run up to the meetings. With the US dollar falling and the Chinese renminbi pegged to it, there is growing tension over currencies, resulting in intervention in markets across Asia to slow appreciation against the dollar and Brazil imposing a tax on capital inflows to stop its currency rising.

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