Country positions for the London summit

1 April 2009

Abstract:
On 2 April several industrialised and emerging market economies will meet at the London summit. Slowly, the policy positions of participating countries are emerging and give an overview of what might be the outcomes of the meeting. This paper gives an overview of official standpoints of participating countries ahead of the summit on a variety of topics and, taking that into considerations, provides an overview of what is likely to be agreed on in the end.

This paper covers only government positions. If you are interested in alternative perspectives and standpoints of non-participating societies, please visit *Rethinking finance*, http://www.rethinkingfinance.org.

The paper is based on information provided by individuals and organisations in most of the participating countries as well as publicly available documents. However, the author takes responsibility for how the information has been used and incorporated into the paper. If you have any comments, additional information, or doubts, please write to Barbara at Bretton Woods Project, fincrisis@brettonwoodsproject.org.

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Background

On 2 April 2009 the UK government hosts the *London Summit* that deals with the financial crisis and potential reforms of the global financial architecture. It follows up on the G20 summit in Washington in November 2008.

The G20 are a group of 20 industrialised and emerging market countries, as well as the EU represented by its Council presidency (currently Czech Republic) and the European Central Bank. It overlaps partly with other groupings: All members of the G8 are in the G20; Argentina, Brazil, South Africa, and Mexico are in the G20 as well as in the G24; and Argentina, Brazil, India, Indonesia, China, and South Africa are in the G20 as well as in the G77, both groupings of developing countries. G20 member South Africa also chairs a new grouping, the African Committee of 10 (C10), comprised of five finance ministers and central banks from Southern, Northern, Western, Eastern and Central Africa, which is pulling together an emergency recovery plan for Africa. It is also involved in the AU, the African Development Bank, and UNECA, and has been tasked with conveying an African perspective to the G20. Brazil, Russia, India and China form the so-called BRIC states that issued a joint communiqué during the G20 finance ministers meeting.

Apart from the usual attendants on G20 meetings, the UK has also invited Spain and the Netherlands as well as the chair of The New Partnership for Africa's Development (NEPAD), the chair of the Association of South East Asian Nations (ASEAN), the president of the African Union (AU) Commission, and the president of the EU Commission for the London Summit.

There have been several gatherings preparing the summit and indicating joint positions. The most high profile one were the G7 meeting in Rome 13-14 February, the G20 finance ministers meeting and the BRIC meeting in Horsham, United Kingdom on 14 March, and the European Council meeting 19-20 March. On 30 March a draft of the G20 summit communiqué was leaked[1].

Apart from these meetings, the UN secretary-general Ban Ki-Moon has established the Commission of Experts on Reforms of the International Monetary and Financial System (hereafter UN commission). It is headed by Joseph Stiglitz and issued its recommendations 19 March 2009.

[1] http://www.ft.com/cms/s/0/f6f30eaa-1c88-11de-977c-00144feabdc0.html

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Reforming IFIs

IMF governance

Regarding IMF governance, several countries favour an increase in voting rights and shares of emerging markets and developing countries (UK, Indonesia, China, Japan, Australia, US, South Africa, G20 finance ministers, Italy, Spain, Russia), but did often not make any detailed proposal. UK and Australia spoke especially about China and India; the US mentioned "dynamic emerging economies", the EU referred especially to the "poorest countries" with Italy being also concerned more with the voice of the poorest countries rather than emerging economies, South Africa mention "African countries", and the G24 refer especially to sub-Sahara Africa. Currently, the next quota review is scheduled for 2013, but it is likely to be brought forward to 2011 (US proposal, G20 Finance Ministers, BRIC, G20 draft communiqué, G24). The US also proposes to agree on a "roadmap with a time frame" to enhance voice and representation, and China stated that the summit should set a "clear goal, timetable and road-map for such reform".

One idea discussed is also a double majority for specific decisions, such as discussions on the IMF Council and the outcome of the wisemen panel (Italy), which is also mentioned by the UN commission. Additionally, the G24 have demanded a "rebalancing of representation in the Boards and the Ministerial Committees" of the IFIs. The UN commission referred to a reform also covering accountability and transparency. UK Chancellor of the Exchequer Alistair Darling stated that the IMF and World Bank must become more accountable but nothing concrete as been discussed so far.

The IMF itself suggested that in the future IMF chiefs might not always come from Europe, with Europe stating that the "selection of top management" should be "review[ed]" to make it more "transparent and merit-based". The UN commission called for an "open democratic process". This has been echoed by the G20 finance ministers' communiqué, but it remains unclear if it really means that a future head of IMF and World Bank will not come from Europe or the US respectively. The BRIC states and the G24 have explicitly stated in their communiqués that they want the selection of IMF head to be independent of national or regional considerations. UK Prime Minister Gordon Brown has stated that "the next head of the World Bank need not be an American. The next head of the IMF need not be a European".

Canada said emerging markets need to pay their share if they want more voting rights and that the governance of the institution should not only reflect economic strength but also the resources a country is willing to contribute for the provision of public goods. Similarly, the EU "encourages emerging economies to assume a greater responsibility" and the US linked the voting shares to the "financial roles of the dynamic emerging market economies in the international financial institutions".

Given the broad consensus, it seems likely that we will see changes in voting rights and shares in the future, but they will surely be very limited.

IMF resources

Regarding IMF resources, EU leaders and India called for doubling IMF easily usable resources from $250 billion to $500 billion to help countries coping with the crisis. US Treasury Secretary Timothy Geithner talked about a total of $500 billion in *additional* loans by the IMF, making it double what has been initially proposed by the EU and India. The European Council conclusions from 20 March lack a specific amount and commit themselves instead to "very substantially increase" resources. Canada wants the IMF resources to be increased to meet short-term needs for tackling the crisis, but opposes "supersizing" the institution in the long run. Italy is concerned with the IMF becoming involved too much in development lending beyond the Poverty Reduction and Growth Facility (PRGF). In general, it wants to clarify the role and facilities of the IMF before increasing its resources.

It seems almost certain that the G20 will announce more resources for the IMF but so far it is not clear where these resources will come from. Germany declared it would help the IMF if necessary, and the European Union member states have committed to provide €75 billion (about $100 billion) in total in the form of a loan. The current US administration asks Congress to double the US commitment to $100 billion. UK Foreign Office Minister Mark Malloch-Brown explained that the UK wants to agree on a coordinated package regarding enhanced IMF resources. The UK said that it will contribute resources depending on the income model agreed upon, and it has repeatedly mentioned emerging economies such as China and Saudi Arabia as well the Sovereign Wealth Funds as contributors. Japan has said it will lend $100 billion to the IMF for helping out crisis-hit countries. Norway (not a member of the G20) announced a contribution of $4.56 billion. China has so far only stated that contributions are only made if substantive and concrete IMF reform is agreed upon.

Apart from contributions by countries, the UK and Australia seemed to favour the allocation of Special Drawing Rights (SDRs) to the IMF's newest members, and Japan and the UN commission called for SDR allocation to developing countries and emerging market economies. The US proposed to increase the current New Arrangements to Borrow (NAB) by up to $500 billion (from currently $50 billion) and to include more of the G20 countries into the arrangement. Besides, it mentions the one-time allocation of SDRs and potential gold sales. The BRIC states have called for a speeding up of the process required for the IMF to sell gold. China has stated that increased resources should mainly come from quota increases, or, when this is impossible in the short-term, through the issuance of bonds which China would buy. In line with that, the G24 called for a general quota increase and new substantial SDR allocations in the long run. Chinese Vice Premier Wang Qisha said the IMF should set the scale of contributions by per capita gross domestic product rather than the size of foreign exchange reserves. Germany wants that all contributions to the international financial institutions and regional development banks are made according to the share of every member's total voting power based on its quota.

IMF roles

Regarding IMF roles, countries made a variety of proposals. China mentioned that the IMF should properly cope with financial fluctuations. Furthermore, Chinese Premier Wen Jiabao spoke about an **early warning system**. Especially on the early warning system, a minister of China's Central Bank said IFIs should help developing countries establishing (national?) warning systems. The UK has proposed the IMF and the Financial Stability Forum (FSF) as good locations for an early warning system; South Africa and Australia favour the IMF for this task. The G20 finance ministers have recommended the G20 summit to launch a joint IMF/FSF early warning system. The idea of an early warning system has been discussed and promoted for a long time. Although it is something everybody agrees on in principle, it is still unclear how an effective warning system could be put in place and what it means in concrete terms.

South Africa wants the role of the IMF in **coordinating financial regulation** to be strengthened. The European Council has referred to enhanced collaboration between the IMF and FSF.

In terms of issues the IMF should focus on, the UK mentioned the “risks arising from global imbalances”, i.e. the US deficit and China’s low **exchange rate**. The UK also emphasised the importance of independent **macroeconomic surveillance** by the IMF. The European Council said as well that the IMF surveillance instruments should be improved. In line with this, Canada wants to strengthen the IMF’s role in preventing future crises and in surveillance. Both the UK and Canada want to require governments to respond to IMF surveillance reports and policy advice, having in mind countries’ current account surplus. China on the other hand emphasised that the IMF needs stronger oversight over macroeconomic policies of countries that issue reserve currencies, including publishing the information and improvement recommendations, having in mind countries with current account deficits such as the US. The BRIC states stated that the IMF should deliver “better-focussed even-handed surveillance across all IMF members”, a statement that has been reiterated by the G24 calling for a review of the IMF’s role in the monetary system with respect to major reserve currencies. The UN commission stated in this respect that surveillance of economic policies should focus on “systemically significant countries” and include an analysis of systems of social protection among others.

The US wants the IMF to **report** quarterly **on member countries responses** to the crisis, namely fiscal stimuli and monetary policies (see section on economic recovery). The European countries support the IMF to monitor and promote the **implementation of the Action plan** agreed upon at the G20 summit in Washington in November.

UK Prime Minister Gordon Brown suggested that a **new facility for additional lending** (in addition to existing IMF reserves) should be built - either through a new issuance of Special Drawing Rights or through a trust or bond scheme, and that this could have a different form of governance to the IMF in a transitional stage. Indonesia opts for a new liquidity instrument without conditionality for countries with a good ‘policy record’. Japan has announced its call for a new IMF lending facility for emerging market economies and developing countries without strict conditions.

Canada said the new short-term liquidity facility needs to be increased in size. This is likely to be agreed on in broad form by the G20, leaving the details of facility design up to the IMF. However, any facility will certainly have either conditionality attached to the loans or prequalification requirements.

The G24 called for "streamlined and focused conditionality and for even-handed implementation" recognizing that the crisis did not start in developing countries. Similarly, the UN commission argued that a reduction in conditionality is necessary but might be insufficient given its persisting pro-cyclicality. It also proposed that IMF lending should be local currencies or a basket of local currencies to reduce the burden of exchange and interest rate fluctuations on developing countries.

Currently, the IMF is working on a new, so-called "flexible credit line", and it doubles limits on the amount of money countries can borrow through some other programs. In general, Canada, which chairs the G20 working group on the IMF, said that its reform is a long-term process. In the short-term, i.e. this year, member states should only help increase its resources and renew its mandate.

World Bank governance and resources

Regarding World Bank governance, some countries again favour an **increase of representation** of developing countries and emerging markets, and a better reflection of their concerns (Indonesia, China, Japan, EU, South Africa, G20 finance ministers, BRIC). Exact details of the voting changes will likely be left to the World Bank's existing internal process which is due to conclude at the latest by early 2010. The UN commission argued that voting shares should be realigned reflecting "economic weight, contribution to the development mandate of the World Bank (for example, measured in terms of contributions to IDA and trust funds), and the volume of borrowing from the Bank".

China said in its statement in the General Assembly that the World Bank should mobilise **more resources** to help developing countries meeting the MDGs. Similarly, the G24 called for a substantial increase in resources. Canada will pressure emerging economies to contribute a greater share to the next IDA replenishment. The US solely stated that "the World Bank and other Multilateral Development Banks (MDBs) must more effectively leverage existing resources by being flexible in using their balance sheets." The G24 called additional replenishments for IDA, and additional aid commitment in general.

Japan pressures to increase the role and power of the Japan dominated **Asian Development Bank** (ADB) vis-à-vis the World Bank, where the ADB has views on conditionality, World Bank governance etc. similar to those held by civil society. India wants a 200% increase in its Asian Development Bank subscribed capital.

Germany supports raising the capital of the regional development banks, particularly, that of the Asian Development Bank is proposed to be increased by $100 billion by all its members. Germany hesitates, however, when it comes to the African Development Bank.

World Bank role

Regarding its role, the World Bank itself has repeatedly proposed a **Vulnerability Fund** to help developing countries cope with the crisis; the UK wants the G20 to provide $5 billion for this fund and has committed itself to provide $250 million. Canada's focus lies on the Bank help for crisis hit developing countries, especially putting **safety nets** into place. South Africa wants the Bank to have more flexibility regarding its products, i.e. less administrative hurdles etc. for developing countries. Similarly, the Netherlands called for increased flexibility for Bank lending. The UK wants the World Bank to lift its limit on the amount each country can borrow, which is currently tied to a country's GDP. The G24 said the World Bank and Multilateral Development Banks need to expand their lending without "unwarranted conditionality". The UN commission called for a new credit facility, being located at the World Bank and regional Development Banks in the short-term. In the long-term, however, alternative institutional arrangements should be established to create competition among lending institutions.

FSF governance and role

Regarding governance of the FSF, the previous G20 communiqué calls for a **broadening of the membership** to include emerging markets, and **expanding the outreach** to non-members; the FSF has declared that it will expand its membership to all G20 countries, Spain, and the European Commission. So far, it has not made public how many authorities will represent a new member country, i.e. whether it will be three like in the case of the G7 countries or only one like in the case of Hong Kong. Australia acknowledged that the FSF has not been representative enough and therefore sometimes lacked "policy context".

Regarding the FSF role, the UK wants to give the FSF a formal role in **coordinating work and provide guidance for work of standard setters, regulators, and supervisors** in main financial centres, and bring regulators together in the case of a crisis. Canada wants the FSF and IMF to oversee international banking regulation and thinks that it is already equipped for that. The US wants to endow the FSF with a stronger mandate allowing it to promote standards and work closer with standard setting bodies.

Arrangements for global governance

G20 versus other groupings and organisations

Regarding the role and importance of the **G8** and the G20, countries seem to favour different options. Canada seems to opt for the co-existence of the G8 and G20. If a Liberal government would come to power, there might be a greater shift towards the G20. Japan opts as well for co-existence, seeing the G7/G8 on charge of development and finance and the G20 dealing with climate change and changing global governance. Japan argues that emerging markets are not ready to take on critical responsibilities and that the G20 is too big for dealing with the financial crisis. Instead, the G7/G8 should lead on that with some additional countries.

The UK, on the other hand, wants to give the **G20** a permanent secretariat to make it a powerful body for overseeing global finance. However, this has not been picked up during last weeks discussions. Australian Prime Minister Kevin Rudd emphasised that the G20 should increase their input into the work of the IMF and the FSF, because they have the political authority which the IMF and FSF are lacking. In this context he spelled out that the G20 is "sufficiently representative" as opposed to the FSF.

This has been opposed by the G77, stating that dealing with the crisis must happen in a **UN** led process, because the G20 lacks legitimacy. In line with that, China also favours inviting regional organisations such as the African Union to the London summit. South African Foreign Minister Nkosazana Clarice Dlamini Zuma has stated in an interview that "the transformation and reform of the Bretton Woods institutions (…) needs a broader discussion, not just within the G20. The UN commission called also for a more inclusive process that must encompass all countries.

The EU mentioned that the "concerns of developing countries should also be properly represented in (…) the G20". The Council and the Commission are tasked with the follow-up of the summit and to “seek to promote multilateral consultative mechanisms in which regional groupings could participate”. The EU also welcomes the idea of a UN conference on development. The US and EU apparently want to keep issues such as finance for development and MDGs at the focus of an UN led process, rather than discussing at the UN level any systematic issue or reform of the global financial system.

A new global institution and/or charter

German chancellor Angela Merkel proposed an **Economic Council** similar to the Security Council but did not specify how this council would look like and who would be a member. Linked to this, she opted for an **Economic Charter** that sets out by which principles a global economic and financial system should be governed. Russia is reported to also back this idea. Along the same lines, the UN commission proposed a UN based mechanism to analyse global economic policy and the creation of a **Global Economic Coordination Council** comprised of heads of states, which provides a “democratically representative alternative to the G-20”.

The European Union stated it will “work to find consensus on, and adopt, a **Global Charter for Sustainable Economic Activity**, based on market forces but preventing excesses” leading eventually to global governance standards. Italy, having the G8 presidency in 2009, presses for a **Global Standard on Finance** apparently based on a convergence of national jurisprudence. It asked the OECD to work on this in the context of a working group to be set up by the G8 finance ministers, which will meet in June 2009.

Regional cooperation

Chinese Premier Wen Jiabao encouraged **regional monetary and financial cooperation and funding mechanisms**. China has signed bilateral currency swap arrangements worth about $85 billion, supporting the Southeast/East Asian Chian Mai Initiative.

Similarly, Russia seems to favour regional cooperation rather than international.

The monetary system

The UK has mentioned the “risks arising from global imbalances”, i.e. the US deficit and China’s low exchange rate. The US and Canada have attacked China for the inflexibility of its currency. UNCTAD issued a policy brief in December 2008 stating that “multilateral or even **global exchange rate arrangements** are clearly necessary to achieve and maintain global monetary and financial stability.” The idea to return to globally managed exchange rates is however unlikely to find backing among the G20 with Western countries preferring floating rates and Asian countries sceptical of the IMF overseeing such arrangements fairly. The BRIC countries have stressed that “major reserve currency issuing economies should step up to information sharing and policy coordination and work to ensure that their macroeconomic policy is balanced, proactive, coordinated and countercyclical”.

China has proposed the creation of a **new global currency** made up of a basket of global currencies and controlled by the IMF. This proposal is reportedly backed by Russia, Brazil, South Africa, South Korea and India. The US has stated that there is no need for such a change, and the EU Commission also seems sceptic. UK Prime Minister Gordon Brown said that currencies will be discussed at the summit, whereas a senior Japanese Finance Ministry official is cited to reject the fact that it will be discussed. IMF managing director Dominique Strauss-Kahn said that a discussion about it is legitimate, but that the dollar's standing was not seriously threatened. The UN commission proposed as well as new Global Reserve System, for example in the form of a greatly expanded SDR.

Related to this, People’s Bank of China governor Zhou Xiaochuan called for a new way of **valuing the SDRs**, including “currencies of all major economies” in the basket. Russia stated as well that the rouble, yuan and gold should be included in the valuation basket.

Several countries and groupings emphasised the importance of independent macroeconomic surveillance by the IMF (see IMF roles).

Financial regulation

A new global regulator

UK Prime Minister Gordon Brown called for a **super-regulator** to monitor the world’s leading 30 banks, a proposal that clearly goes beyond the idea of supervisory colleges. Canada opposes the idea of a **global financial regulator** and favours the FSF and IMF to oversee banking institutions. It noted, however, that an international surveillance body (namely the IMF) should be assigned this year in order to restore confidence in banks, although each country must get its own financial system in order. The creation of a global regulator seems unfeasible, because the US and China will not give up sufficient national power to do so. Especially, since the crisis is framed as a matter of economic security and hence national security.

The UN commission has proposed the establishment of a **Global Financial Regulatory Authority** and a Global Competition Authority in the long run.

Cross border cooperation

Several countries have called for **better cross-border cooperation** of supervisors and regulators (UK, China, Germany). The UK called for mechanisms for cooperation in the case of crisis (see UK position on FSF role), and a mechanism to manage failed institutions, as well as to protect depositors and consumers. The UK argued for concerted fiscal policy but did not propose anything concretely. China said that national financial authorities should increase the exchange of information, the monitoring of global capital flows, and prevent cross-border transmission of risk. Similarly, South Africa called for greater information sharing and agreed interventions, especially among G20 countries.

Furthermore, the UK government, the EC and the IMF favour **colleges of supervisors** for banks operating across borders which everybody seems to agree to, although details are not spelled out yet. The UN commission endorsed the establishment of the colleges but argued that these constitute only a partial solution. The G20 finance ministers claimed colleges were already established for the major multinational banks in their progress report on immediate actions agreed upon in Washington in November. However, no public information was available on these colleges.

Scope and scale of regulation

Several countries have expressed their will to close regulatory gaps regarding the **shadow banking system**. All systemically important financial products and institutions shall be brought under regulation (China, EU leaders in a joint statement, BRIC). China explicitly mentions hedge funds' leverage and pay system. Canada has apparently not yet an agreed position on the scope of regulation, compensation packages and risk management. Although the UK stated that it should "move forward by (…) closing gaps in regulatory structures and restricting the scope for the emergence of shadow banking systems", its commitment to tighter regulation seems fairly limited. Gordon Brown said in his speech in the US that the financial system would be better if the world would "outlaw shadow banking". South Africa stated it supports measures that penalise risky behaviour, i.e. measures that discourage short-term speculative investment behaviour and other practices that have contributed to recent economic shocks.

The IMF proposed a new system of oversight of those hedge funds and private-equity funds whose failure would have a systemic impact. Whereas the IMF suggested higher capital requirements for these institutions, the US Federal Reserve Chairman Paul Volcker, one of Obama's advisors, proposed restrictions on high-risky activities. In general, the US seem very sceptic towards tighter regulation, stating only vaguely that no "systemically significant financial institution, market or product" can any longer "escape proper oversight", specifically mentioning derivatives.

The UN commission proposed restriction on leverage and banks defining "limits for transactions with hedge funds". It also proposed that financial institutions including banks should be limited in size and in the extent of their interactions to reduce systemic risks. G20 finance ministers recommended the G20 summit to oblige hedge funds and their managers to register and disclose the information necessary to assess the risks they pose to financial stability.

What is likely to be agreed on at the summit is a general commitment to "appropriate regulation of systemically important institutions and products", probably with a minor specification regarding disclosure, but no agreement on actual regulatory action.

Hedge funds and derivatives trading are also dealt with at a European level with a Commission proposal under way but nothing specific has been agreed on so far. Financial sector regulation on a European level in general has been scheduled to be discussed in autumn.

International standards

Furthermore, the several countries want a reform of the current **capital requirements** and their **pro-cyclicality** (UK, US, China, BRIC). It is likely that the G20 will express its desire for counter-cyclical capital adequacy provisions, but will leave it to the Basel committee to propose exact formulas. G20 finance ministers recommended the G20 summit to ensure counter-cyclical capital requirements, which should be implemented after recovery is assured.

Regarding **international regulatory and accounting standards** in general, Canada has referred to already existing standards and that emerging economies and other countries should sign on. South Africa called for a broad set of principles to underpin a strengthened architecture of global supervision and regulation. In particular, a standard for remuneration practices and compensation schemes is developed by the FSF, endorsed by the EC, and agreed upon by the G20 finance ministers. The G20 finance ministers also agreed on regulatory oversight of all Credit Rating Agencies, greater transparency if off-balance sheet vehicles, and better accounting standards, not specifying any details.

The US also mentioned standards regarding **money laundering and terrorist financing** and that the FSF will start initiatives on these issues, echoed by the European Council that referred to “tax evasion, financial crime, money laundering and terrorist financing”.

The US stated that in the long run **standard setting bodies** should be regrouped reflecting prudential oversight, market conduct and integrity, and macro-prudential oversight. The EC said that the accountability of the International Accounting Standard Board should be enhanced by “further reforming its governance and mandate”. Similarly, the BRIC states have stated that emerging market economies should have greater voice in the International Accounting Standards Board and other standard setting bodies.

Tax havens

The UK, Germany and France claimed that they want to address the problem of **off-shore jurisdictions/tax havens**, which is also mentioned in the Annex to the European Council conclusions. The UK specifically attacked Switzerland (not represented at the G20). The US administration just recently endorsed anti-tax havens legislation and stated to “crack down on those who use offshore tax havens”. The G24 specifically welcomed enhanced cooperation on tax transparency. US Treasury Secretary Timothy Geithner said that the FSF will start new initiatives regarding tax havens.

Apparently, the G20 is creating a blacklist "from three overlapping groups of havens: those which still have no double taxation conventions, which allow nations to swap information on taxpayers in each other's jurisdiction; those which have refused to accept the idea of new Tax Information Exchange Agreements, which allow one nation to require another to dig out extra information on a suspect; and those which agreed in principle to TIEAs but have failed to sign them". The EC and the G20 finance ministers want the G20 summit participants to request a listing of non-cooperative jurisdictions and a "toolbox of sanctions", with proposals made by the OECD, the FSF, and the Financial Action Task Force. The OECD has sent an updated list of non-cooperative jurisdictions to the UK government in March 2009.

The UN commission wrote that tax havens need to be given incentives to comply with basic standards. These incentives could take the form of restrictions on transactions between financial institutions in those jurisdictions and those in more highly regulated countries. Furthermore, the commission proposes to strengthen the United Nations Committee of Experts on International Cooperation in Tax Matters. Additionally, the commission stated that all countries should accept an amendment to the UN Model Double Taxsation Convention to make exchange of information automatic.

Several of tax havens such as Switzerland and Luxembourg have already expressed their concerns for a "brushing all" approach of the G20. Liechtenstein, Austria, Switzerland, Monaco, Singapore and Hong Kong have recently committed to accept OECD standards on tax transparency and data exchange in order to be removed from the blacklist; and Jersey is going to sign a bilateral agreement with the UK on information exchange mid March.

It remains unsure, how far a shift in policy regarding tax havens will actually go. Eleven of the world's 37 suspect jurisdictions are linked to the UK according to tax monitoring organisations.

Development finance and poverty

Regarding **aid**, UK Department for International Development (DFID) has stated that the new architecture must suit developing countries' needs, i.e. access to finance and development of the financial sector. Similarly, the World Bank should promote private sector growth, including the financial services sector. Several countries promote an increase of aid: Indonesia argue that the World Bank and other Development Banks should increase their lending capacity. China calls for preferable loan conditions and timely assistance of IFIs, and increased aid and regional efforts to help developing countries. Australian Prime Minister Kevin Rudd stated that Australia increases its ODA to 0.5% of GNI by 2015. Canada said it remains committed to increase its aid levels by 8%. UN secretary-general Ban Ki-Moon wrote in a letter to G20 leaders that a total of $1,000 billion should be made available to developing countries, mainly mobilised through existing mechanisms and institutions and by donor countries fulfilling their already made commitments. Indonesia has called for a **Financing Support Mechanism** for development in emerging markets but did not say how this should be organised. South Africa has called for emergency liquidity and stand-by arrangements for low-income countries that face exogenous shocks.

The EC has not committed to anything new but wants the G20 to restate its existing commitments to deliver the MDGs, aid-for-trade, duty-free and quota-free access for least developed countries, official sources such as export credits, and "enable Multilateral Development Banks to help counter effects of the crisis in developing countries".

The UN commission lists auctions of global natural resources and international taxes such as a carbon tax as sources for development financing. Besides, the UN commission has argued that "**active management of foreign capital flows**" is required to ensure effective counter-cyclical government policies.

Britain is calling for a **global poverty alert** that monitors the impact of declines in trade, and private and public financial flows on developing countries. Being established at the UN, it would warn the World Bank about emerging crises to speed up its reaction.

Regarding **debt**, Indonesia spends nearly 30% of its state budget on debt servicing. Russia might consider a debt relief for neighbouring countries. South Africa stated that donor countries should recommit to promises regarding aid and debt relief. Especially, it should be ensured that developing countries with weak balance sheets are not unfairly penalised by the crisis. The UN commission called for a mechanism for sovereign debt restructuring and cross-border investment disputes. However, debt is apparently not an issue actively discussed at the G20 level so far.

Trade

Regarding trade, several countries emphasised that **protectionist policies** need to be avoided and that finishing the **Doha Round** is crucial (EU, UK, Indonesia, China, Canada, Germany, G7, US, Brazil, BRIC, UN commission); many of the participating countries want to finish the negotiations end of 2009. However, China pointed once again to regional economic integration as a supplement to the multilateral trading system, and called for a "balanced outcome" of the Doha round. It stated that any trade relief activity opposed to WTO rules is considered protectionist and hence to be avoided. Turkey opts for closer trade relationships with the Central Asian region and Middle East, not only EU and Russia. Russia is still not member of the WTO due to US opposition. The UK mentioned the volatility of commodity prices as a problem, but just called for greater efficiency.

The UN commission argued that many bilateral and multilateral trade agreements decrease countries' abilities to respond to the crisis and need to be changed. Thus, before finishing the Doha round, its impact on crisis responses and development needs to be clarified. The EU stated that a more active role of least developed countries in WTO trade negotiations is supported. South Africa emphasised that Doha outcomes need to be developmental, i.e. create policy space for new industrial development, support employment and vulnerable sectors, and expand decent work opportunities in local economies.

The US and the European Council back the idea of a **multilateral trade finance initiative** bringing together bilateral and multilateral institutions in order to attack risk and liquidity issues hampering trade.

Environment

Regarding the **environment**, Japan pushes for differentiation, isolating China and India from the developing country camp; it calls for voluntary mitigation targets of developing countries. Japan does not accept 1990 as base year for mitigation targets since it is advantageous for Europe. South Africa stated that financing climate change adaptation needs to come from additional resources, not ODA.

The European Council stated that it wants to "ensure consistency of fiscal measures with long-term objectives such as (…) climate change".

UN secretary-general Ban Ki-Moon mentioned the importance of "green growth" and that he asks the G20 to commit "sealing a deal" in Copenhagen later this year.

Economic recovery

The US expressed the need for a framework for immediate financial sector actions covering the provision of liquidity and funding, recapitalizing firms, and addressing the problem of legacy assets. The G20 finance ministers agreed on a framework, comprised of twelve common principles that they agreed will govern their fiscal stimuli, bail-outs and other national measures.

UN secretary-general Ban Ki-Moon called for a “truly global stimulus package”. The UN commission explained that national stimulus packages need to evaluate the global impact and that 1.0 per cent of them should be spent in developing countries in addition to official development assistance commitments. Furthermore, the redistributive consequences of bail-outs should be assessed and such measures should be much more transparent to the public and accountable to parliaments.

Besides, the US favours the IMF recommendation to spend 2% of a country’s GDP annually for fiscal stimulus as a benchmark. The European countries have reacted negatively to this proposal, being very reluctant to agree to more measures aimed at boosting demand (in Germany the stimulus package is about 1.5% of GDP, in France it is 0.75%, in the UK 1.4% and likely to fall to minus 0.1%), whereas China and Saudi Arabia might be more inclined, currently planning to spend 2% and 3.3% of their GDPs respectively.

Given the clearly expressed opposition of Germany, France and Czech Republic, it seems very unlikely that the US can push forward its aim to make summit participants committing to additional fiscal stimulus packages or a fixed target such as the proposed 2% of a country’s GDP.

Likely outcomes

In general, it remains unclear how much concrete will be agreed upon at the summit. Since there is no substantive agreement on tighter regulation nor fiscal stimulus, the focus might well be on IMF governance reform and increase in resources. Chairman of the US Federal Reserve Ben Bernanke said the G20 should rather come out with “principles” not direct proposals, whereas UK Chancellor of the Exchequer Alistair Darling wrote that the G20 needs to “go beyond discussions about principles and make concrete commitments”. It seems that the participants of the summit will allocate responsibilities for regulation to several organisations and institutions such as the IMF, FSF, BIS, colleges of supervisors, and standard setting bodies; rather than agreeing upon concrete changes in regulatory rules.

Furthermore, it seems that the Working Groups that have been established before the summit will just set the agenda and give the agreed topics to the respective institutions for consideration, rather than coming up with concrete proposals. It has not yet been decided whether the reports of the working groups will be published at all, before or after the summit.

On Monday 30 March, a **draft of the communiqué** has been published. In its current version, the communiqué does not touch upon several issue areas and proposals, namely a new global institution such as an Economic Council, new global regulatory authorities, regional cooperation, and the monetary system.

It includes the following statements:

Reforming IFIs

IMF governance, resources and roles

- IMF quota and voice reform to be completed by 2011
- establishment of a Ministerial Council to provide accountability
- head and senior staff shall be appointed through "open, merit-based selection processes" (note difference to BRIC communiqué calling additionally for an indifference towards region)
- increase resources through bilateral borrowing (New Arrangements to Borrow) and the market
- general SDR allocation to increase global liquidity
- "even-handed, and independent IMF surveillance" of policies, their impact on others, and risks

World Bank and MDBs governance, roles and resources

- WB shall make concrete proposals on shareholding, voting, voice, and internal governance by the Annual Meetings; guiding principle: shared and common responsibility

FSF governance and role

- FSF becomes Financial Stability Board
- supports development of international standards; facilitates co-operation between policy-makers and regulators; identifies and reports on global risks

Arrangements for global governance

G8 and G20

- G20 meet again before end of year to review progress

Financial regulation

Cross border cooperation

- reference to new Financial Stability Board as strengthening international cooperation

Scope and scale of regulation

- extend regulation to all systemically important markets, instruments and institutions

International standards

- endorses FSF principles on pay and compensation
- standard setters should work on accounting and valuation rules
- international codes of good practice for Credit Rating Agencies

Tax havens

- publishes a list of non-cooperative jurisdictions (benchmark: international standard for exchange of information on tax)
- Global Forum, FATF, and new Financial Stability Board shall identify non-cooperative jurisdictions before next finance ministers' meeting

Timetable

- time table for these actions in action plan; Financial Stability Board and IMF shall report on progress

Development finance

- G20 support increase in lending of MDBs, IFC, and World Bank (communiqué does not specify amount yet nor the source of money, probably existing resources of the institutions, countries' already set aid budgets, and borrowing from financial markets)
- UN shall establish a mechanism to monitor impact of crisis (global poverty alert)
- at IMF Spring Meeting gold sales to support low income countries will be discussed

Trade

- WTO and IMF shall report on countries' adherence with their commitment for non-protectionist policies
- committed to reach "rapid agreement" for Doha Round

Green new deal/environment

- agreement to "make the best possible use of investment funded by fiscal stimulus programmes towards the goal of building a resilient, sustainable and green recovery. We will make the transition towards innovative, resource efficient, technologies and infrastructure, and drive new low carbon business opportunities."
- welcome report of London Jobs Conference**;** support employment by education, demand stimulus, labour market policies; social safety nets => ILO and OECD shall assess actions

Economic recovery

- only stating which policies countries have undertaken so far (fiscal stimulus, cut of interest rates, bail-outs)

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