

## G-20 Meets in Brazil, Urges Reforms, Presents No Concrete Proposal

Contributed by Alexandre Rocha  
Sunday, 09 November 2008

Gathered in Brazil, ministers of Finance and central bank governors of the G-20, the group that includes the 20 main economies in the world, reached a consensus during their meeting this weekend in São Paulo, in the country's Southeast.

They came to the conclusion that reforms are necessary in multilateral organizations like the International Monetary Fund (IMF), the World Bank (IBRD) and the Foreign Stability Fund (FSF), so that they may answer better to international crises like the present one. One of the conclusions is that emerging nations must have greater participation in these organizations.

"The institutions of Bretton Woods must be completely reformed so that they may more adequately reflect the change of weights of economies in the global economy and answer better to future challenges. Developing and emerging nations must have an active and representative voice in these institutions," says the closing statement of the meeting.

The managing director of the IMF, Dominique Strauss-Kahn, the president of the IBRD, Robert Zoellick, and the president of the FSF also agreed that it is necessary to reform multilateral institutions, as agreed by members of the G-20, according to a report by the ministers who were present at the press conference. The managers of these organizations participated in the meeting in São Paulo.

The text also points out that the G-20 plays a "vital part" in the resolution of challenges in the global economy and needs to have its executive capacity expanded. The G-20 brings together the richest countries in the world and the main emerging nations.

The minister of Finance of Brazil, who currently occupies the presidency of the bloc, Guido Mantega, said in a press conference, after the meeting, that a new agreement like the Bretton Woods agreement should take a long time, in the time being, the G-20 "has been placed at the forefront of the process" to fight the international crisis.

"The G-20 has never been as important as it is now," pointed out the Treasury undersecretary of the United Kingdom, Stephen Timms, who also participated in the press conference. Great Britain is going to take over the presidency of the bloc in 2009.

"Financial stability is a global financial asset," added the minister of Finance of South Africa, Trevor Manuel, who was also present at the conference. The African country was in the rotating presidency of the G-20 before Brazil. The idea, according to Mantega, is for the bloc to evolve from a forum of ministers and governors of central banks into an organization of heads of state.

Mantega pointed out that several consensuses were reached between rich and emerging nations during the meeting, and added that the crisis arose in developed nations, but that emerging nations are suffering the effects. He said that coordinated global action is necessary to seek a multilateral institution to head the process. "This has not been solved yet, but the G-20 is a strong candidate," he pointed out.

The ministers and central bank governors also decided that countries must adopt anticyclic policies to avoid a global recession, including the relaxing of fiscal and monetary policies, within the unique characteristics of each. He also said that it is necessary to help fight the outflow of capitals from developing nations and that the anti-crisis measures adopted by nations up to now are correct, but not enough.

This week, the member-countries are going to elaborate proposals for the summit of the G-20, to take place in Washington, the capital of the United States, next Saturday. "We are bringing together political conditions to have joint and ordered operation regarding the need for regulation of markets to avoid repetition of crises like this one," said Mantega. "In Washington, there should be political power to progress with a proposal that is ambitious," he added.

To Mantega, moments like the current one are favorable to the promotion of change in international financial rules and in multilateral mechanisms. According to him, the main divergence should take place when talks regarding instruments for stronger regulation and inspection of markets begin.

He said that some countries, like Brazil, defend more rigorous rules, greater transparency, establishments of limits to bank leverage and ways to detect the movements of derivatives on a global scale. Nations where the financial sector is more important, in turn, should be more resistant to harsher rules.

"We must recognize that countries support the financial system, not just for itself, but for the real economy to work," stated Manuel.

After the meeting in Washington, workgroups should be established to transform the proposals into instruments for effective action, which should take place in up to 90 days.

"It is urgent for all countries in the G-20 to see rapid progress, thus the importance of the meeting in Washington," said Timms. "This meeting [in São Paulo] has established solid bases for the G-20 to have better conditions in future," added Manuel. "We are going to change the car tires while it is in movement," added Mantega.

Anba - [www.anba.com.br](http://www.anba.com.br)