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# Analysis: G-20 economic summit reshapes global politics

By David J. Lynch, USA TODAY

WASHINGTON — This weekend's financial summit reshaped global politics and may eventually reshape the global economy. But the gathering left numerous critical details unresolved.

For the first time, instead of the G-7/G-8 club of rich nations, a global crisis summit included leaders of fast-rising nations such as China, Brazil and India. With host President Bush and the leaders of Europe and Japan, the Group of 20 agreed on principles for future crisis-fighting efforts and vowed ambitious financial system reforms.

"This heralds a shift from the G-7/G-8 to the G-20 as the chief steering committee for the world economy. That may turn out to be the most important part of this event," said Fred Bergsten, director of the Peterson Institute for International Economics.

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The less-than-24-hour summit came amid signs that the global economy is deteriorating more quickly than anticipated and that traditional remedies for downturns, such as interest rate cuts, are not working.

Conceding that aggressive efforts taken so far have been insufficient, the leaders agreed to take "whatever further actions are necessary to stabilize the financial system."

But while British Prime Minister Gordon Brown said "many countries" would announce new economic stimulus measures in coming weeks, the leaders committed themselves to no specific amounts. "The fiscal stimulus call is good, but it should have been stronger," Bergsten said.

Likewise, the leaders were vague about a promise to help emerging markets that are suffering capital withdrawals obtain new funds. And they were silent about exchange-rate mismatches that contributed to the crisis, notably including China's undervalued currency, said Brad Setser of the Council on Foreign Relations.

The leaders were perhaps most specific in calling for developing countries to enjoy a greater say in the International Monetary Fund and to be admitted quickly to another global body called the Financial Stability Forum, which was created after the emerging markets crises of the 1990s.

They also swore to refrain from raising new trade barriers — but only for the next 12 months. And they promised to rewrite accounting standards and some regulations by the end of March and gather for a second summit by the end of April.


When they do, they will face debates on a bulging agenda, a new U.S. president, and a global economy still struggling to shake off its ills.

"They have set the stage for doing things," former IMF economist Eswar Prasad said. "Now, the world will be looking for them to deliver."

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