

EXCLUSIVE: G20 summit must turn talk into action

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Any agreements made will have to be based on sound economic policy and aimed at improving markets and strengthening businesses, writes Paul Healy

Presidents, prime ministers and chancellors from across the globe, are set to descend on London for one of the most important economic summits in decades. Now they have a chance to discuss and tackle the global economic downturn that has immersed them all. But once the ceremonial reception drinks are guzzled and the official joint-statement has been issued, how much closer will they actually be to tackling the financial challenges facing them?

Trying to imagine life before the financial crisis often seems like a regretful journey into another world. Yet it was only 18 months ago when people had faith that their banks were safe, when people were assured that the price of their house would stay high and when they were comfortable about the level of debt they had managed to amass. The 10 years of New Labour had convinced many people that economic prosperity would continue unabated and Tony Blair, as Prime Minister, played the part of an eternal optimist.

But that optimism has faded and pessimism currently prevails, an assured belief of people is that the future is gloomy. Back in 2003, a Populus poll showed that 65 per cent of Britons felt optimistic about the future of their economy, now only 20 per cent embrace such optimism with over 75 per cent of the population feeling negative about the country's chances. At the G20 in London on 2 April, countries representing 85 per cent of the world's output will attempt to challenge this pessimism and show that a return to past prosperity is indeed possible.

In the optimistic times, Gordon Brown was always portrayed as a prudent figure, yet it is clear that he became swept up in the same sanguine whirlwind. Now Brown, with his reputation as an iron chancellor rusted, must try to find a global consensus on the best way for G20 countries to work together and drag themselves out of the mire.

Foremost on his agenda will be the need to agree a global response to the immediate financial crises currently disturbing much of the world. It is likely that Brown will continue to sing the praises of increased government lending and, in doing so, he will probably find an ally in the Washington delegation, while risking the ire of his own central bank.

Nevertheless, it is important that the G20 offers an opportunity for

governments to clarify how far they would be willing to take such measures. While using public funds to recapitalise banks is necessary in the current context, it needs to be made clear that such actions do not represent a blank cheque for government intervention. Public funds should only be allocated to private institutions with the intention of reviving the market, not with the aim of replacing it.

Market forces still provide the best opportunity for prosperity and the growth and development of global economics still relies on the innovations and improvements that the market generates. With this in mind, any strategy that attempts to boost the global economy must intend to repair markets and must resist moves that suffocate private enterprise which are ultimately counter-productive.

In addition to this, Brown must also attempt to find a consensus on the threat posed by protectionism, with many countries likely to be tempted to erect trade barriers in an erroneous attempt to shield themselves from global economic problems. By declaring that he wanted to create "British jobs for British workers", Brown showed himself how easy it was for a hidden mercantilist sentiment to re-surface and dominate sensible economic policy. Instead, Britain should now commit to a strategy that will allow international trade and labour to remain free from unnecessary obstacles.

The most enduring issue on the G20 agenda will be the effort to focus attention on sustainable economic growth, which should form the basis of any plan for recovery from the global financial crisis. The crisis has exposed the lack of sustainability in British industry and, consequently, the vulnerability of the workforce that relies on it. It has to be Brown's intention to make the British economy more sustainable by outlining a vision that will develop skilled workers and attract innovative businesses. The environment offers just one example of where such a refocus could benefit the British economy, allowing for further advancements of green technologies, but there are many other opportunities especially in high tech sectors.

Hosting the G20 in London provides the United Kingdom with the opportunity to lead meaningful discussions on the financial crisis. However, those discussions will lose their importance if they do not result in concrete agreements. Worse, the precedents for a breakdown of talks are ominous with Brown himself raising the specter of the failed London economic conference in 1933 that made recession a fact of life for the rest of the decade. International statesmen now need to show awareness of the global nature of the crisis and an eagerness to collaborate with other nations. If agreements are made, they will need to be based on sound economic policy, aimed at improving markets and strengthening businesses. It will also be vital that the UK provides strong leadership. No doubt Gordon Brown will savour what will probably be his last chance to exert economic authority on a global platform. Hopefully, it is not also the last chance for Britain.

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