

Top G20 economies face scrutiny

AFP, Washington

Seven of the world's leading economies including China and the United States faced deep scrutiny over fiscal and financial imbalances Saturday as the G20 group announced a new framework for assessing potential risks to the global economy.

A Group of 20 delegation member told AFP the seven "included the G5" -- the United States, France, Britain, Japan and Germany -- and "two big emerging countries," suggesting China and India.

The move would boost fraternal scrutiny in the elite G20 club, underscoring the growing worry over how structural problems in one large economy can spill across the world and pull others down -- as became apparent in the 2008-2009 financial crisis.

The move fell short of the "name and shame" approach some observers expected, with members apparently uncomfortable with having any official public list of those found substandard by the new G20 guidelines.

French Finance Minister Christine Lagarde, who presided over the G20 meeting, would only confirm that France was one of the seven countries. But the appearance of China, the United States, Japan and Germany was expected prior to Friday's session.

Finance officials called the meeting a solid step ahead for policing the globe's increasingly integrated economy, when policies by the biggest players have long been decided at the national level.

US Treasury Under Secretary Lael Brainard said there were already signs of how peer pres-



AFP

G20 finance ministers and central bank governors get together at the IMF/World Bank Spring meetings in Washington on Friday.

sure was being taken, citing US President Barack Obama's speech Wednesday outlining an ambitious plan to cut the massive US budget deficit, and internal discussions the Chinese are having on their side of the problem -- their massive trade surplus.

"The reality is that we are in a world of sovereign states, we have national parliaments and congresses to answer to, and each country has a complicated policy process to undertake," she said.

"You have to recognize how far this conversation has come."

After discussions launched late last year, the G20 decided a framework for assessing the

most risky economies in a "very mechanical and very objective" manner, Lagarde said.

The G20 represents 85 percent of the global economy, and comprises Britain, Canada, France, Germany, the United States, Italy, Japan, South Africa, Saudi Arabia, Argentina, Australia, Brazil, China, South Korea, India, Indonesia, Mexico, Russia, Turkey and the European Union.

The seven each had an economy equivalent to four percent or more of the global economy, and were subject to tougher scrutiny.

Named to the list, they would now be subject to a "second step" of assessment that could

lead to policy prescriptions from their G20 brethren at a summit in Cannes, France in November.

Lagarde stressed the use of a structural, data-based and historical approach and the absence of subjective judgement in the G20's "indicative guidelines" for assessing risky imbalances.

"It's not as if we decided out of nowhere," she said -- another indication of the depth of problems in the world's leading economies.

Already cited by the International Monetary Fund early this week for its yawning fiscal and trade deficits and growing debt burden, the United States was an

easy pick for the list.

The selection of China was a way of highlighting its contribution to the problem -- its dollar-pegged and widely believed to be undervalued currency, which has helped it build a massive trade surplus with the world and especially the United States.

"China should adopt a floating currency system," Brazil's Finance Minister Guido Mantega said after the meeting.

"My suggestion is a homogenization, in that everyone will adopt a floating currency."

In a statement, the G20 also said it would more closely assess other problems with the global economy, including threatening capital flows, unhealthy reserve accumulation, skewed exchange rates and other symptoms of artificial or troubling imbalances.

"Our aim is to promote external sustainability and ensure that G20 members pursue the full range of policies required to reduce excessive imbalances and maintain current account imbalances at sustainable levels," it said.

The G20 also took note of sharply rising commodity prices, including food, and the impact of excessive price volatility on food security.

The countries agreed on "the need for participants in commodity derivatives markets to be subject to appropriate regulation and supervision" and called for more transparency in cash and derivatives markets.

But the group noted that, despite soaring oil prices in the wake of the upheaval across the Middle East and North Africa, and after Japan's March 11 earthquake and tsunami disaster, there was no real shortage of energy supplies in the world.

Obama calls for balanced approach to cutting deficit

AFP, Washington

US President Barack Obama on Saturday called for a "balanced approach" to reducing America's mushrooming budget deficit, saying the country can live within its means while preserving its values.

"At the same time, we have to take a balanced approach to reducing our deficit -- an approach that protects the middle class, our commitments to seniors, and job-creating investments in things like education and clean energy," Obama said in his weekly radio address.

"What's required is an approach that draws support from both parties, and one that's based on the values of shared responsibility and shared prosperity," he added.

On Wednesday, Obama unveiled his plan for a combination of tax hikes and spending cuts to reduce the US budget deficit by \$4 trillion over 12 years.

In addition to cuts in discretionary spending, Obama would finance his deficit drive with tax increases for affluent Americans. But he warned he would not allow investments in education, broadband and clean energy to be starved.

Officials said the approach would shave deficits as a share of the US economy to 2.5 percent of GDP in 2015 and put them on a path to reach close to 2.0 percent by the end of this decade.

Currently, the US budget deficit is forecast to reach \$1.6 trillion this year and cumulative public debt stands at \$14.27 trillion.

The proposal came after Republicans unveiled a rival budget and deficit reduction plan, which aims to cut \$4.4 trillion from the deficit over a decade, but contains sweeping cuts in health care programs for the poor and the elderly.

The president blasted the Republican plan, saying it would give \$1 trillion in tax breaks to the wealthiest two percent of Americans.

But Obama said he believed Republicans and Democrats could bridge their differences and produce a bipartisan deficit reduction plan.

World Bank, IMF lead move to help North Africa

AFP, Washington

Global finance chiefs moved to aid strife-torn North Africa Thursday as the International Monetary Fund and World Bank warned of more potential social unrest from high food prices and joblessness.

Finance ministers of leading economies and development bank heads discussed ways to help Egypt, Tunisia and other regional economies rebuild, as the annual spring meetings of the World Bank and IMF turned their focus to social unrest as the global economy recovers from recession.

A meeting led by US Treasury Secretary Timothy Geithner and French Finance Minister Christine Lagarde initiated a move to coordinate aid to the region by the IMF, development banks and other groups.

"We stand ready to support these countries with responses coordinated with the international institutions, who can bring significant resources and expertise to aid the transitions," the group said in a joint statement.

"We recognize that these transitions are about expanding the freedoms and opportunities of people."

Lagarde earlier told journalists that the European Bank for Reconstruction and Development could take a lead in the effort.

"We will doubtlessly tackle the situation of the countries of the southern Mediterranean, and in particular Egypt and Tunisia," she said.

Earlier the heads of the World Bank and IMF issued strong calls for advanced countries to focus on high levels of unemployment and soaring food prices which are casting a pall over the recovery from the 2008-2009 financial crisis.

World Bank president Robert Zoellick cited soaring food prices as "the biggest threat to the poor around the world."

are in a danger zone because prices have already gone up; stocks for many commodities are relatively low."

Speaking separately, IMF man-



AFP

International Monetary Fund Managing Director Dominique Strauss-Kahn participates in a roundtable discussion entitled Youth, Jobs, and Inclusive Growth in the Middle East and North Africa at the IMF/World Bank Spring meetings in Washington on Friday.

ing director Dominique Strauss-Kahn warned of the possibility of a "lost generation" of unemployed youths if nations focus only on achieving fiscal balances without heeding social demands.

"It's probably too much to say that it's a jobless recovery, but it's certainly a recovery with not enough jobs."

"Especially because of youth unemployment... there is now a risk that this will be turned into a life sentence, and that there is a possibility of a lost generation," he said.

Both leaders described the economic recovery as frustratingly incomplete, posing serious challenges for poor and wealthy countries alike, and called on the Group of 20 developed and emerging economies -- many of which are facing their own fiscal crises -- to focus on food and job issues.

"We may be coming out of one crisis -- the financial and economic crisis -- but we are facing new risks and wrenching challenges," said Zoellick.

"Food prices were not the cause of the crises in the Middle East and

North Africa, but they are an aggravating factor. Our latest Food Price Watch shows that there is double-digit food price inflation in Egypt and Syria. It shows that commodity price spikes particularly hurt poor countries."

Global food prices have soared 36 percent from a year ago, according to the Bank's food price index released Thursday, pushing some 44 million people below the \$1.25 a day poverty line.

"One of the points that we are trying to emphasize through these meetings is the need for the G20 and for the World Bank and others to put food first," Zoellick said.

"Because I think we are in a particular moment of vulnerability in that if you have some other events, which you can never predict, we really don't have a cushion."

Strauss-Kahn said the focus on restoring growth has sacrificed attention to important social issues.

"Common knowledge has been for a very long time that if you have growth you have jobs," he said.

But the current situation is proving that is not always correct.

Japan asks Brazil to ease food import rules

AFP, Tokyo

Japan's foreign minister on Saturday asked his visiting Brazilian counterpart to ease import restrictions placed on Japanese food in the wake of a nuclear crisis sparked by a huge earthquake and tsunami.

Brazil, which has the world's largest population of Japanese descent outside Japan, has asked for all food imports from the quake-hit country to be accompanied by certificates proving they are safe to eat.

It is among a number of countries to restrict Japanese food imports after a series of explosions at the Fukushima Daiichi nuclear plant on the country's northeast coast caused radiation to spew into the air and sea.

Japan's Foreign Minister Takeaki Matsumoto said that no food products contaminated by radiation released from a quake-damaged nuclear plant were being exported, and asked Brazil to reconsider.

Visiting Brazilian Foreign Minister Antonio Patriota said his country would "consider the possibility of changing or scrapping" the restrictions.

Brazil has a century-long trade history with Japan, prompted by the arrival of large numbers of Japanese immigrants who worked as agricultural labourers in the Latin American country, now a major consumer of Japanese products.

It has the world's largest ethnic Japanese community outside Japan, estimated to number about 1.5 million.

Canadians growing wary of China, India rise

AFP, Ottawa

Canadians are "conflicted" over China and India, viewing them as "critically important" economically and politically while growing wary of the Asian giants, a survey said Thursday.

The Angus Reid survey of 2,926 Canadians for the Asia Pacific Foundation of Canada found that Asia's growing clout is increasingly viewed as a threat instead of an opportunity.

The results suggest "Canadians may be growing uneasy about this historic shift," the think-tank said in a report.

"Though Canadians generally hold a fairly positive view of other countries, Asian countries are not as well regarded," it concluded.

About two thirds of Canadians surveyed for the poll saw Asian economies as "vital" to the Canadian economy, and that China's influence will eclipse the United States within a decade.

Number of Russian billionaires swells

AFP, Moscow

The number of Russian billionaires almost doubled over the last year to 101, the Russian edition of Forbes magazine said Friday in its annual rating.

A total of 101 businessmen in Russia now have a net worth of \$1 billion or more, up from 62 last year but still below the 2008 figure of 110. The wealthiest 100 have a net worth of \$432 billion, according to Forbes, up considerably from last year's \$297 billion.

Metals tycoon and owner of Novolipetsk Steel (NLMK) Vladimir Lisin, 54, continues to top the list by a wide margin with a net worth of \$24 billion, up from \$15.8 billion last year.

He is followed by Severstal owner Alexei Mordashov (\$18.5 billion) and Onexim Group owner Mikhail Prokhorov (\$18 billion), who also has a majority share of the New Jersey Nets basketball team.

Metal industry asset holders dominate the top five richest, with Vladimir Potanin (Interros) and Alisher Usmanov

(Metalloinvest, and a major shareholder in English football team Arsenal), in fourth and fifth place respectively.

Mikhail Friedman (Alfa Group) and Chelsea football club owner Roman Abramovich dropped out of the top five into seventh and ninth place, respectively.

Few of the Russian super-rich lost much money in the last year. One striking exception was construction billionaire Yelena Baturina, whose fortune dwindled from \$2.9 billion to \$1.2 billion.

Baturina's husband Yury Luzhkov was sacked as Moscow mayor last September by President Dmitry Medvedev after he became mired in rumours of corruption and granting favours to his wife's company.

Earlier this year Russian business magazine Finans published a different ranking topped by Lisin, Prokhorov and Usmanov.

The Forbes list includes business and personal assets of Russian businessmen, including those officially registered under names of relatives that don't participate in management.