

'New world order': G20 leaders pledge \$1 trillion



Australian Associated Press | AFP

A new world order is emerging...

British PM Gordon Brown

World leaders have united to inject \$US1.1 trillion (\$A1.58 trillion) into the global economy in an historic agreement they hope will kickstart growth and save jobs.

The G20 leaders of the world's biggest economies, including Australia's Kevin Rudd, signed off on a six-point deal after holding crunch talks on ending the global recession at a summit in London on Thursday.

The talks were held amid tight security to keep protesters at bay after a demonstration by 4,000 activists on Wednesday descended into violence and led to more than 80 arrests.

The centrepiece of the leaders' package was \$US1.1 trillion (\$A1.58 trillion) to help restore bank lending, boost economic growth and create jobs.

As part of the deal, member countries will kick in cash to treble the International Monetary Fund's (IMF) resources to \$US750 billion (\$A1.08 trillion) so it can help developing countries in financial turmoil.

Leaders also agreed to crack down on tax havens, boost world trade, clean up the financial sector with tougher regulations and introduce new rules on pay and bonuses for corporate bosses.

Rudd joined US President Barack Obama, European leaders and summit host, British Prime Minister Gordon Brown, in hailing the unprecedented deal.

"Today's agreement begins to crack down on the sort of cowboys in global financial markets that have brought global markets undone with real impacts for jobs everywhere," he told reporters.

"It's been prime ministers and presidents who have struck this deal but it's small businesses, tradies and young people who will benefit from it over time because global action is necessary to support local jobs."

Obama described the rescue package as "historic" and a "turning point in our pursuit of global economic recovery".

But he warned more work lay ahead and the world's problems would not be solved in one meeting.

"We must be proactive in shaping events," Obama said.

"Together, we must put an end to the bubble and bust economy that has stood in the way of sustained growth and enabled abusive risk-taking that endangers are prosperity."

While Obama praised the agreement, it did not include the coordinated economic stimulus package he and Brown wanted but which had been opposed by some European countries.

Instead, the communique released after the meeting noted that the steps taken by the G20 meant they would have spent \$US5 trillion (\$A7.17 trillion) stimulating economic growth by the end of 2010.

France and Germany had criticised the need for an extra stimulus package and threatened to walk away from the deal if it failed to meet their demands for tougher regulations for the finance sector.

In the end, French President Nicolas Sarkozy and German Chancellor Angela Merkel got what they wanted - a raft of new guidelines designed to tighten up governance of banks, hedge funds and credit agencies.

New global accounting standards will be introduced, while tax havens that refuse to provide information on secret accounts will be "named and shamed".

A new Financial Stability Board will also be set up to ensure international cooperation on regulation and introduce new principles on pay and bonuses for corporate bosses to ensure they reflect performance.

The extra cash for the IMF includes \$US250 billion (\$A358.6 billion) to hand out to member countries struggling to cope with the downturn.

On the trade front, leaders committed to injecting \$US250 billion (\$A358.6 billion) into trade finance over two years and work towards a conclusion of the long-running Doha trade round.

Brown said the deal would help rebuild trust in the financial system.

"This is the day that the world came together to fight back against the global recession, not with words but with a plan for a global recovery and for reform and with a clear timetable for its delivery," he said.

"The old Washington consensus is over."

The leaders have agreed to meet again in New York in September to review progress on their package.

"A new world order is emerging and with it we're entering into a new era of international cooperation," British Prime Minister Gordon Brown said in a post-summit press conference.

