G-20 Summit Witnesses Tense Debates

As world leaders have gathered in Asia for the Group of 20 (G-20) summit to discuss measures to revitalize the frail global economy, tensions have risen over struggling currencies and trade. Likewise, President Obama and other world leaders in Seoul, South Korea for the two-day summit are having to contend with one another's opposing strategies for fostering a more stable economic environment and preventing a looming financial meltdown.

The first G-20 leaders' summit took place two years ago and has since witnessed the growth of nations like China and India. Fox News explains that the aim of this year's summit "is to craft a new global economic order to replace one powered by the U.S. running huge trade deficits while countries like China, Germany and Japan accumulate vast surpluses."

Fox News reports, "G-20 officials — whose countries comprise 85 percent of all economic activity — have pledged not to use their currencies as trade weapons. But tensions reignited last week when the U.S. Federal Reserve announced a $600 billion bond buying plan that angered many trading partners."

President Obama defended the Federal Reserve's actions asserting that it was necessary to weaken the U.S. dollar in order to shrink trade deficits and foster greater investment. He contended that the Fed's actions will place greater pressure on countries with trade and foreign exchange surpluses.

Unfortunately, Obama's defense did not hold up. Fox News writes, "Other countries complain excess cash may flood into their markets seeking higher returns, pushing their currency values higher, squeezing their exporters and inflating bubbles in stocks or other assets that could destabilize their financial systems."

According to Kim Yoon-kyung, a summit spokesman, the currency standoff prevented any real progress from taking place.

"Critical agendas, such as establishing a clear guideline on limiting current account surpluses and deficits to sustainable levels and recent moves by Washington to print more money, were put on the table, but only highlighted differences between member countries."

Forced to table the currency debate, G-20 leaders moved on to other plaguing issues.

This year's summit managed to help highlight the vast differences between the American economy and those of nations like China. As the United States proposed setting guidelines to help determine when imbalances between surpluses and deficits may become destabilizing, China boasted that this year's trade surplus surged to its second-highest level.

Despite China's surpluses, however, its government continues to keep China's currency artificially weak in order to remain competitive overseas, inciting further disputes among the nations. Beijing leaders continue to assert that the summit's focus on China's currency policies is misplaced.

Vice Foreign Minister Cui Tianka remarked on the tensions, "If either side chooses a confrontational approach, I think everybody will come out as losers."

While much was disputed during the summit, several agreements were made, including one that involves increasing supervision of financial institutions, and another that entails providing greater financial support to developing countries by way of the International Monetary Fund — an organization in which the United States is a 17-percent shareholder, making the U.S. the largest IMF shareholder in the world. In other words, the U.S. bears a larger financial burden than any other nation in the world, in some cases more than triple that of other nations.

Likewise, the decision to place more financial control in the hands of the IMF legitimizes concerns posed by *The New American* in the past few years that "the global elites driving the G8/G20 agenda have been aiming at transforming the IMF into a global equivalent of the Federal Reserve."

Another area in which progress was made was in the discussion to move toward a Pacific-wide free trade zone which would include more than half of the world's economic output. Talks of the trade zone were led by foreign ministers of the Asia-Pacific Economic Corporation forum.

Mexico was quite receptive to the idea of a Pacific-wide free trade zone. Its foreign minister, Patricia Espinosa, indicated, "We are quite committed to that. We believe that open trade is indispensable to overcome the financial crisis and the economic crisis."

Talks of the Free Trade Area of the Asia-Pacific were inspired by the Trans-Pacific Partnership, a trade agreement supported by the United States that is witnessing growth from four small economies (Brunei, Chile, New Zealand, and Singapore) to nine countries as the United States, Australia, Malaysia, Vietnam, and Peru plan to join.

According to Fox News, the arrangement "could help untangle a slew of bilateral and regional agreements, and by lowering trade barriers, could boost growth."

Photo: AP Images