Free trade – a priority issue of G-20 summits after the world economy went into recession

~ Ph. D. **Alina-Petronela Haller** *(ICES „Gh. Zane" – Iasi Branch of the Romanian Acaemy)*

Abstract: *The world economy has been greatly affected by the current recession. All countries have suffered regardless of their level of development. Given that global problems require global solutions, world powers have met at summits of the G-20 forum, in order to determine the causes of the recession and adopt the most relevant measures to overcome the crisis and to correct other imbalances (e.g. environmental issues, hunger) existing in the world.*

Keywords: world economy, recession, economic growth, development, international trade.

Acknowledgement:

This paper is supported by the Sectoral Operational Programme Human Resources Development (SOP HRD),

financed from the European Social Fund and by the Romanian Government under the contract number POSDRU ID 56815.

Introduction

Before the world economy plunged into the current recession, nothing seemed to disrupt the smooth functioning of business activities. Industrialised countries were firmly set on the road to social and economic development, while emerging nations seemed to be increasingly reducing the gaps separating them from developed ones. Together, they sought to focus their attention and pool their material, financial and human resources in order to solve the problems facing the poorest nations and the other challenges still facing the world.

After the **Great Depression** of 1929-1933 there was a long period of **great stability**, which seemed without end. The theories of economic cyclicality became partially valid. Isolated crises were easily manageable and their effects almost negligible. Optimism was the predominant state of mind for most, with a few exceptions. Among them was **Nouriel Roubini**[1] who warned that the world economy faced a crisis of major proportions. Almost nobody believed him yet shortly afterwards his forecasts were confirmed and became the reality of the current world economy. The hopes that the world would go through a minor recession were shattered. Bleak predictions were verified much too confident. Under the circumstances, each country sought to implement measures aimed at mitigating the severe effects of the recession. However, in the globalised economy, such measures are not sufficient. During meetings such as the Pittsburg summit (in the US), the great world powers, aware that they must cooperate and take multilateral initiatives, attempted to identify and establish common methods to overcome economic challenges. In the expanded format of the G-20, the major global actors have called for the defence of free trade, a factor development and economic growth and the main pillar of globalisation. They intend to adopt policies that will restore sustainable economic growth and to consolidate the international financial system to guarantee the benefits of a free and global economy.

[1]A Professor at New York University; he worked for the IMF, the Federal Reserve, World Bank, and Bank of Israel; he foresaw the current crisis and predicted a recovery by the end of 2009, followed by a new dip in 2010. Nouriel Roubini (nicknamed Dr. Doom because of his bleak forecasts) believes that the price of shares and commodities traded on the international markets will collapse in the near future due to the rapid and massive expansion of markets. He argues that the current crisis will be U-shaped and not V-shaped, as is generally expected.

To achieve this objective, policies and strategies will be different in each country based on the local social and economic conditions.

In general, actions will focus on:

- implementing responsible short-term and long-term fiscal policies;
- supporting open trade and investment while also eliminating protectionist measures;
- increasing the role of monetary policies to ensure price stability and maintaining market-friendly exchange rate policies;
- expanding structural reforms in order to increase exchange rates;
- promoting sustainable economic development to ensure to narrow the gaps between countries and reduce poverty.

The first steps towards achieving these objectives will be made by G-20 member states through two groups of economic policies:

- policies to support private savings, ensure fiscal consolidation in parallel with keeping the markets open and strengthening exports;
- policies aimed at stimulating investment, reducing financial distortions on the market, increase service sector productivity, stimulate demand and strengthen social security.

Literature review

Ever since the emergence of the earliest economic ideas, all countries have been focusing on growth and development.

Over time, countries have employed various methods to achieve these objectives, ranging from autarchy to the present-day promotion and support of the notion of liberalisation as the foundation of growth and economic development. Currently we are undergoing an intensive globalisation process. Since its earliest manifestations, the process has been theorised intensely (Bairoch P., Balassa B., Bauman Z., Beck U., Bhagwati J., Dunning J., Giddens A., Gilpin R., Held D., Hirst P., Thompson G., Krugman P., Rodrik D., Rugman A., Stiglitz J. etc.) and its advantages and disadvantages have been extensively highlighted.

Globalisation and free trade are unquestionably interdependent and mutually affecting processes and everything worldwide, be it good or bad, leads to them. The new economic and social challenges, specifically the most severe recession since the Great Depression of 1929-1933, are examined through the prism of economic liberalisation. At high-level meetings, world powers (which now form a group of twenty not seven as before) make efforts to preserve the benefits and maintain the trends of this process. Humankind is in a situation where progress, for every state, developed or less developed, can be secured only through trade and economic liberalisation measures and resisting protectionist tendencies, which usually escalate during recession periods.

Paper Content

The global economic context which facilitated the slide into the crisis

For several decades, the world economy has been undergoing a process of globalisation, a challenge that poses both advantages and disadvantages. The first advantage is economic growth, yet also one cannot minimise the fact that in their buying decision process, businesses are now able to choose from a wide range of products, that prices are decreasing while quality is increasing as an effect of ever-increasing competition, that productivity is rising and that standards of living have improved and millions of people have been lifted out of poverty. These are just some of the benefits of globalisation. As any economic phenomenon or process involves positive and negative effects, we may notice that the speed at which beneficial features of globalisation have spread matches that of its negative impacts. Globalisation has brought along new challenges such as global warming, the growing gaps in development due to uneven economic growth (although the reduction of such gaps is among the objectives of globalisation, the reality is to the contrary), irrational consumption of resources leading to depletion of global stocks and the large-scale exposure to various crises, including the current financial crisis.

The global financial integration has facilitated the expansion of financial flows to an extremely high level. Companies in need of capital can access capital on foreign markets, while investors are free to invest almost anywhere in the world where they can find favourable niche markets. Investment and consumption have increased and so have the incomes of the population. Both companies and consumers need higher revenues to meet demands that are ever more complex. The outcome is the accumulation of huge current account deficits financed by foreign borrowing. The expansion of certain countries, especially Asian ones, has been fuelled by savings rather than investments and by an export-based growth and development strategy that has generated financial surpluses, placed on foreign markets. The integration into the global economic system of China, India and other emerging nations has determined the increase of the global labour force, the intensification of trade and the broadening of the range of inexpensive goods and services. In this context, the traditional financing methods proved to be outdated and financial institutions had to resort to innovations, which actually contributed to an increase in lending. Not only did the volume of loans increase, but also the vulnerability of lending institutions because in the quest for profits they underestimated long-term risks. The failure to assess the risks associated with financial innovation and liquidity has caused the escalation of inter-bank transactions and created a highly fragile over-indebted and interdependent system.

The world economy was soaring at the point when, without warning, the subprime crisis hit. To a certain extent the crisis was expected, yet no one was able to tell when it would erupt and how severe it would be (its intensity is much higher than initially thought). In mid-2008, the economies of developed nations slid into recession, while emerging economies, due to trade dynamics and higher prices, appeared to be more resilient. The year 2009 started with a marked decline in economic activity around the world and a sharp increase in unemployment, and reality demonstrated that the world was facing a global economic crisis. Ever since talk of a recession began, comparisons (with the Great Depression of 1929-33) and forecasts have been made. The latter are constantly reviewed due to the complexity and growing intensity of the current recession.

While initially some countries were not affected by the downturn in the financial markets, they were subsequently hit hard by the decline in international trade, which impacted both production and consumption. Global output declined more sharply than it did in the 1930s, and employment fell substantially, compared with the situation during the Great Depression.

The risks associated with the current crisis have been increasing, as evidenced by the exchange rates for key currencies, i.e. the Euro and the US dollar, and by the fluctuations of the Dow Jones indicator. Moreover, FMI forecasts are the most pessimistic since the Second World War.

The date of 15 of September 2008 might be seen as the starting date of the recession. It was the day when the investment bank Lehman Brothers filed for bankruptcy. Since the onset of the crisis, there have been 3 G-20 summits: Washington (USA – November 2008 during the George W. Bush administration), London (UK – April 2009), and Pittsburgh (USA – September 2009). Whereas the first two summits dealt with the adoption of measures aimed at pulling the world out of the recession, the Pittsburgh summit focused on decisions that would prevent a future crisis.

The G-20 and the global economic and financial crisis

The G-20 (The Group of Twenty) was established in 1999 to bring together, on a regular basis, the finance ministers and central bank governors of the most important industrialised and emerging countries in order to propose solutions for the key issues facing the global economy.

G-20 was created as a response to the financial crises of the late 1990s and aimed to include emerging nations in global economic governance, where they had been inadequately represented previously.

The idea of involving non-G-7 countries in discussions on global aspects of financial crises which affect emerging nations was proposed at G-7 meetings in Washington in 1998 and subsequently in 1999 the G-20 was established.

The G-20 is made up of the finance ministers and central bank governors of 19 countries: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, Republic of Korea, Turkey, the United Kingdom and the United States of America. The EU is the 20th member, represented by the president of the European Central Bank. The Managing Director of the International Monetary Fund (IMF) and the President of the World Bank participate in G-20 meetings on an ex-officio basis.

The inaugural meeting of the G-20 took place in Berlin, on 15-16 December 1999, hosted by German and Canadian finance ministers.

The main objective of the G-20 is to ensure global economic stability by supporting and stimulating economic growth and development. Additional objectives include: strengthening the international finance architecture, providing consultancy on streamlining national economic policies, furthering international cooperation and consolidating international institutions.

G-20 member states together account for approximately 90% of world GDP, 80% of world trade (including intra-EU trade) and 2/3 of the world population[5].

Before the establishment of the G-20, the key global economic issues were discussed in the G-7 and subsequently in the G-8 and G-9 fora.

The foundations of the G-7 were laid in 1976 by Canada, France, Germany, Italy, Japan, the United Kingdom and the United States of America. The attention of the G-7 was mainly focused on its own members' interests, as opposed to the G-20, which is broader in scope and includes the concerns of emerging countries. Before G-20 was institutionalised, there were successively the G-8 and the G-9, as China and Russia were included in this forum.

Since the world economy plunged into the current crisis, the representatives of the G-20 countries met three times at summits held in Washington (November 2008), Londra (April 2009), and Pittsburgh (September 2009).

The current economic context has required concerted efforts and cooperation at a broader level, leading to the emergence of the G-20 as a prime global forum to discuss and determine the most effective measures to reduce risks and uncertainty worldwide and in each individual country in order to restore economic growth, narrow gaps in development between countries and regions, protect the environment, ensure efficient resource use and improve standards of living.

Recovery measures agreed upon during G-20 summits and the role of free trade

At the latest G-20 summits (Washington, USA - November 2008, London, UK - April 2009, and Pittsburgh, USA - September 2009) world leaders agreed to refrain from raising new trade barriers in response to the crisis, yet on their return to their respective countries, they passed mainly protectionist measures.

A study of the Centre for Economic Policy Research (London) has concluded that every three days a G-20 member breaks the no-protectionism pledge [4], defying open trade and decisions taken at global level.

The Washington Summit (November 2008)

During the Washington meeting, the first after the onset of the recession, the leaders of the key actors on the world economic stage determined the chief causes of the recession and attempted to outline ways of restoring economic growth and minimising the negative effects of the crisis for all states, regardless of their development level.

The first cause of the recession was deemed to be the underestimation of risks, especially financial ones. The development of complex and non-transparent financial instruments, the banks' drive for ever-increasing profits, the growing interdependence among institutions to provide liquidity and meet the ever-increasing credit demand, the lack of coordination of economic policies, and the inadequate structural reforms all led to unsustainable macroeconomic results and market imbalances.

The G-20 representatives agreed on the following actions:

• to adopt measures necessary to stabilise the financial system;

• to support the monetary support policies of each individual state as deemed appropriate to domestic economic conditions;

• to implement fiscal policy measures in order to stimulate domestic demand;

• to reaffirm the importance of the development assistance commitments;

• to help developing countries gain acess to finance. The summit stressed the IMF's primary role in crisis response, along with the contribution of the World Bank and of the Multilateral Development Banks which introduced new facilities in the areas of infrastructure, trade and the financial system;

• to reinforce international cooperation aimed at restoring economic growth;

• to implement preventive actions so as to avoid future crises. The proposed measures respect market principles to advance open trade, foster investment and financial dynamism, stimulate innovation and entrepreneurship required to create jobs and restore growth.

The measures were aimed at providing liquidity, strengthening the capital of financial institutions, protecting savings and deposits, unfreeze credit, restart investments and trade, and create jobs, all these with the support of the key financial institutions.

To achieve the reform of financial markets, world leaders agreed on:

• Strengthening transparency and accountability:

• Enhancing sound regulation:

• Promoting integrity in financial markets:

• Reinforcing international cooperation:

The summit also reaffirmed the support for trade liberalisation, based on:

• The commitment to free market principles, respect for trade legislation and private property, the encouragement of investment and competitivity with support from financial institutions. It stressed that the creation of jobs and the stimulation of production, export and domestic demand lead to the resumption of growth of the economy and standards of living.

• The rejection of all forms of protectionism. The summit participants pledged to refrain from raising new barriers to investment or to trade, imposing new export restrictions or implementing any other measures inconsistent with WTO rules.

• The acceleration and conclusion of the Doha Development Round.

• The special consideration of emerging and low-income countries and the need to meet the Millennium Development Goals of development and poverty eradication.

The Washington Summit provided the outline for a global economic recovery plan, stressing the key role of the financial system and of free trade in the return to economic growth.

The next two summits brought G-20 representatives to the negotiation table, with talks focusing on the concrete reality of the spread of the recession around the world, therefore economic recovery recommendations were consistent with that reality.

The London Summit (April 2009)

The second major summit after the start of the recession was held in the United Kingdom. The meeting took place as the global economy was at the height of the most severe crisis since the Second World War.

The G-20 meeting in London was intended as a follow-up to the Washington summit. The aim was for leaders of the largest economies and key financial institutions to undertake to redress the world economy, restore economic growth and stimulate job creation.

The leaders of the 20 world powers meeting in London committed to a set of concrete measures to strengthen the financial system and create jobs, allocating USD 1.1 trillion.

It was agreed that a global crisis requires a global solution. Summit participants affirmed that prosperity is indivisible and that growth, to be sustained, has to be shared by all the states of the world. Consequently, the priority of the agreed plan for recovery was job creation, not just in developed countries but also in emerging markets and the poorest countries of the world. The actions to be taken would not be limited to helping the population affected by the recession, but would provide a sure foundation for sustainable globalisation and rising prosperity for all is an open world economy based on market principles, effective regulation, and strong global institutions.

The London summit participants pledged to :

• restore confidence, growth, and jobs;

• repair the financial system to restore lending;

• reform the international financial system to overcome the crisis and prevent future ones;

• promote global trade and investment and reject protectionism;

• build a green and sustainable recovery.

To meet these objectives, the IMF allocated USD 750 billion to be used to support the countries and the financial systems affected by the crisis.

To promote job creation, expansionary fiscal policy measures were proposed in order to allow the citizens to keep a larger proportion of their income, by reducing taxes and charges. Such measures stimulate domestic demand, production and investment and secure the resumption of growth. The proposed policy is modelled on the Keynesian theories based on which the 1929-1933 recession was overcome and which, especially in the case of industrialised countries, will facilitate the resumption of economic growth.

Central banks also took actions to cut interest rates aggressively and pledged to maintain expansionary policies for as long as needed and to use the full range of monetary policy instruments to stabilize prices and control inflation.

The summit emphasised that actions to restore growth would not be effective unless domestic lending and international capital flows were restored. The IMF and World Bank were given the key role in helping the world economy on its way to recovery, by providing liquidity and recapitalising financial institutions.

As a conclusion to the summit, the leaders of major economic powers agreed on the need for systematic cooperation between countries and the establishment of a framework of internationally agreed high standards for regulation. Regulation and supervision must promote propriety, integrity and transparency, protect consumers and investors, support market discipline and avoid adverse impacts on other countries, support competition and dynamism, and keep pace with innovation in the marketplace.

To meet these bold goals, the Summit participants decided to establish a new Financial Stability Board (FSB) with a strengthened mandate, as a successor to the Financial Stability Forum (FSF), including all G20 countries, FSF members, Spain, and the European Commission [6]. The FSB should collaborate with the IMF to provide early warning of macroeconomic and financial risks and to take actions needed to limit them.

The London summit acknowledged that the crisis affected heavily the emerging markets and developing countries, which prior to the recession had been the engine of recent world growth. It was agreed to make available an additional $850 billion of resources through the global financial institutions to support growth in emerging markets and developing countries by helping bank recapitalisation, infrastructure, trade finance, balance of payments support, debt rollover, and social support.

The Summit declaration also points out that world trade is falling for the first time in 25 years. Therefore reinvigorating world trade and investment is essential for restoring global growth. Participants undertook not to repeat the historic mistakes of protectionism of previous eras and reaffirmed the commitment made in Washington: to refrain from raising new barriers to investment or to trade in goods and services, from imposing new export restrictions, or implementing World Trade Organisation (WTO) inconsistent measures to stimulate exports; and to notify promptly the WTO of any such measures and to monitor and report publicly any actions contrary to economic growth objectives. At USD 250 billion were allocated, until 2011, to support trade finance through our export credit and investment agencies and through the Multilateral Development Banks.

It was also emphasised that the conclusion of the Doha Development Round could boost the global economy by at least USD150 billion per annum

G-20 members undertook to rectify promptly any prohibitive measures and seek to minimise any negative impact on trade and investment of domestic policy actions including fiscal policy and action in support of the financial sector.

The summit recognised that the current crisis has had a disproportionate impact on the vulnerable in the poorest countries and emphasised the members' collective responsibility to mitigate the social impact of the crisis to minimise long-lasting damage to global potential.

Participants also reaffirmed their historic commitment to meeting the Millennium Development Goals and pledged to support social protection, boost trade and safeguard development in low-income countries. Commitments were made to build a fair and family-friendly labour market for both women and men, the key role in this respect being played by ILO (the International Labor Organization).

The London Summit affirmed that the growth promoted by the G-20 would be a resilient, sustainable, and green recovery, marking a transition towards an innovative and resource efficient economy.

The Pittsburgh Summit (September 2009)

World leaders focused on the US proposal to reassert the need for global economic growth based on trade liberalisation, because any contrary steps, even taken during a recession, can have damaging effects on progress made in terms of growth, development and globalisation. The summit also reflected the ever-increasing global role of Brazil, China and India and of emerging countries in general.

It was decided that the G-20 would replace the G-8 as a permanent council for international economic cooperation, highlighting the increasingly important role of emerging nations on the global stage and providing them a platform to defend their interests and meet their development goals. The decision does not mark the end of the G-8, which will continue to meet on major national security issues affecting the most developed nations. Decisions related to repairing the global economy, reforming the international financial system and improving standards of living will be taken by G-20.

The G-20 will become the main global governing council to facilitate economic cooperation and restore the development of the world economy.

The measures adopted during the Pittsburgh Summit are aimed at reducing the excessive risks highlighted by the current recession and preventing a future crisis of similar proportions to the current one. Massive unemployment and uncertainty about the recovery, especially in developing countries, have caused the G-20 leaders to take bold actions to avoid a repeat of the crisis in the future, yet there are disagreements on the governance of the global economic system.

The London G-20 Summit committed to assist the big companies on the brink of collapse (e.g. the auto industry) and increased the role of the IMF through a massive capital infusion, turning it into a sort of life buoy for countries affected by the recession, as it was tasked with promoting global financial stability and economic growth. In Pittsburgh, the main objective of G-20 leaders was to design and regulate global financial policy. Based on the ideas of the economist Joseph Stiglitz, proposals were made for a Global Monetary Authority intended to manage a single currency, oversee the actions of national authorities more strictly than the FMI and monitor the implementation of global regulations, acting as a Bankruptcy Court for global companies. The Monetary Global Authority will be managed by finance experts from the US, UK, EU, Japan, China, Saudi Arabia and Brazil and will be funded by deposits constituted by its members.

As regards financial matters, the Pittsburgh summit took actions aimed at strengthening the regulation of world financial markets: imposing tighter bank rules, requiring banks to submit reports to regulatory bodies, conditioning executive compensation on the long-term performance of financial institutions and establishing the ***Tobin tax***[2] aimed at preventing speculative bubbles.

Against the backdrop of the global recession, the reduction of the manufacturers' reliance on American consumers was also tackled. It is a well-known fact that the US market is prone to high consumption. Previously much of the world exports were sold on the US market, where everything was seen as merchandise and it was believed that it was easier to buy than to manufacture. The economic crisis and the recovery plan supposing considerable expenditure by the state, have caused a transformation in the US manufacturing and consumption patterns. Buy American, a slogan of the recovery plans of the world's chief economic power, is an encouragement to Americans to opt, in their their buying decision, preferably domestic products. Facing the most severe recession since 1929-33, Americans focused on savings and consumption, yet this time on reducing consumption, even as before the plunge of the world economy into the crisis the US was a market of choice for manufacturers worldwide. At Pittsburgh, it was suggested to the trade partners of the United States to change in turn their production and consumption patterns in order to reduce their reliance on the US market until foreign products could again find a place on the market. The suggestions to stimulate domestic demand were aimed at China in particular, yet the recommendation is almost unfeasible due to low salaries and incomes. The US committed to review its reliance on foreign borrowing, while the UE undertook to stimulate investment.

Boosting world trade and investment is essential for the resumption of economic growth worldwide. A key factor in this respect.is the fight against protectionism. For this purpose, USD 250 billion were allocated, provided that markets remained free and open and states respected the commitments made in Washington and London to refrain from raising barriers to trade or investments, imposing new export restrictions or implementing any other measures inconsistent with WTO rules and to pledge to rectify promptly any such measures. This was intended to minimise any negative impact on trade and investment of domestic policy actions including fiscal policy and action in support of the financial sector. These objectives can be achieved by channelling capital flows to the countries that were most affected, especially the developing ones.

Despite all the problems caused by the recession, if trade liberalisation is maintained,

---

[2] A 0.05% tax on all financial transactions – called after the proponent, James Tobin (1918-2002), an American economist, advisor to President John F. Kennedy and a recipient of the Nobel Prize in Economics in 1981. He advocated the economic policies of Keynes, defending state intervention aimed at stabilising production and avoiding recessions. He made notable theoretical contributions in the fields of investments, financial and monetary policies and financial markets.The „Tobin tax" was intended to reduce foreign exchange speculation, which Tobin considered to be non-productive. James Tobin suggested that the collected money should be used to finance projects for the benefit of Thirld World countries and the United Nations

the IMF forecasts a solid economic growth in 2010, which will rebound to 4.2%, considering that a sharp downturn will be followed by an indirectly proportional recovery[3] . The Asian Development Bank, under the same free trade conditions, expects a growth rate of 8.2%in 2009 and 9% in 2010. These forecasts are also dependent on the intensity and effects of the economic crisis, because a weak economic recovery will lead to high unemployment, which will entail protectionist measures in order to protect jobs on the domestic market, with could trigger foreign reprisals and generate serious problems in the world trade system. World leaders undertook to conclude the trade negotiations within the Doha Development Round by 2010, seeking to support liberalisation, avoid protectionism and restore economic growth.

Another issue discussed during the Pittsburgh Summit focused on environmental protection measures and the reduction of greenhouse gas emissions. The Summit established guidelines for the subsequent Copenhagen Climate Change Conference[4]. Discussions on environmental issues will continue as the outcome of the December 2009 Copenhagen Summit is unclear.

At Pittsburgh, proposals were made for helping poor countries to implement technologies to produce renewable energy and reduce the effects of global warming. While there is an agreement on the real danger posed by global warming, the G-20 countries could not conclude an arrangement on individual country contributions for environmental protection and clean energy measures. The financial contribution of each country will remain a hotly debated issue given the current economic crisis. Poor countries, particularly hit by the crisis, will not be able to allocate substantial funds for environmental protection, which means that this goal of the summit will not be met and will remain a contentious issue.

The Pittsburgh Summit conclusions emphasised that G-20 leaders would ensure that fiscal, monetary, currency, trade and structural policies would be coherent, with more sustainable and balanced demand, offer, reserves, debt, credit and balance of payment trajectories. Leaders agreed on a shift of at least 5% in IMF quota share and the World Bank, with an increase of at least 5% in voting rights at the IMF and 3% at the World Bank. The winners would be China, Korea and Turkey.

[3]Mussa Michael, former IMF chief economist.

[4]From 7 to 18 December 2009, representatives of 191 states negotiated a new global Accord for reduction of greenhouse gas emissions. The accord currently in force is the Kyoto Protocol, due to expire in December 2010, when it will be theoretically replaced by the Copenhagen starting in 2013. Developed countries will have to commit to provide the capital required for poorer nations to adopt low-carbon energy sources and to adjust to already existing climate changes whose effects have occurred faster and are more serious than expected. The greatest danger is posed by water scarcity, the retreat of glaciers and sea level rise. The Copenhagen treaty was expected to limit global warming to 2 degrees Celsius. To meet this level, the EU has pledged to reduce greenhouse gas emissions by at least 20% below 1990 levels by 2020 and even by 30% if an international agreement is reached committing major polluters such as the US or China to comparable emission reductions. Although the EU will have a central role, the US will itself commit to a 17% reduction of greenhouse gas emissions below 2005 levels by 2020 and an 83% reduction by 2050. Although the objectives have been clearly set, no definite agreement was reached in Copenhagen on environmental issues and actions.

The G-20 intends to set up an adequate framework to ensure future sustainable and balanced recovery that will secure jobs, foster private demand, reduce development gaps and restrict practices, which generate macroeconomic and microeconomc risks. Global architecture will be reformed to meet the needs of the population and economies in the 21st century, by increasing cooperation, access of poor nations to food, fuel and finance in order to narrow development gaps. At present over 4 billion people remain undereducated, ill-equipped with technology and insufficiently integrated into the global economy. The World Bank must assume a leading role to ensure food security and the access to energy resources for poor countries. To this end, summit participants undertook to encourage the transparency, oversight and overall stability of energy markets.

To achieve the stated objectives, the G-20 countries committed USD 500 billions to the FMI's New Arrangement to Borrow (NAB), supplementing the allocations for developing countries by over USD 100 billion, thus strengthening the Fund's role and capacity to provide support to its members. The FMI's funds are constituted based on members' quotas, which reflect the weight and relative influence of each member state in the world economy, yet this weight has considerably changed lately due to the increasing economic dynamics.

As regards the creation of jobs, the International Labour Organisation (ILO) plays the key role; G-20 recovery actions will have saved or created at least 7 – 11 million jobs by the end 2009. Nevertheless, unemployment will continue to rise, especially in vulnerable developing countries, except for those which have already succeeded in stabilising their economies. Job creation must remain a chief objective after the restoration of economic growth. To avert the negative effects of the crisis on the labour market, the ILO intends to provide social support for the unemployed and effective education and training programmes.

The ILO adopted the Resolution on Recovering from the Crisis: A Global Jobs Pact committing nations to adopt key elements of its general framework to advance the social dimension of globalisation. The international institutions should consider ILO standards and the goals of the Jobs Pact in their crisis and post-crisis analysis and policy-making activities. World leaders also called on Employment and Labor Ministers to meet as a group in early 2010 consulting with labor and business and building on the upcoming OECD Labour and Employment Ministerial meeting on the jobs crisis.

G-20 participants agreed to hold Summit in Canada in June 2010, and in Korea in November 2010. They expect to meet annually thereafter and will meet in France in 2011.

Conclusions of the Pittsburgh Summit:

• Emerging countries, China and India in particular, will play an increasingly important role in defining the policies that govern the global economic system. The summit placed great emphasis on the changes in the global financial architecture to account for the growing importance of China, India and other major emerging economies. The US proposed the transfer of 5% of voting rights within the IMF from industrialised to emerging nations; it appears that the proposed measures will also reduce the influence of the EU on the global stage.

• The G-20 will become the primary global economic coordination forum and will continue its activity beyond the recovery from the crisis and the restoration of economic growth. The dissolution of the G-8 has not been ruled out, however the issue was not discussed at Pittsburgh. In 2008, the G-20 was transformed from a "forum of ministers" into "a group of world leaders".

• Large exporting countries are determined to focus more on domestic demand to support the economies most severely hit by the crisis to find new export markets. This US proposal will be hard to put into practice, as the change in China's consumption and even manufacturing patterns will be difficult to accomplish and requires a long period of time.

• It was proposed that the IMF managing director should be selected based on qualifications not nationality, an important decision given the tradition of appointing an European IMF leader and a US World Bank president.

• Summit participants agreed on implementing new rules enforceable in the banking system by the end of 2010, aimed at improving quality and quantity of bank capital. These rules, designed to prevent a future financial crisis, will be phased in, as economic growth is restored and financial conditions improve. Reforms in the banking system also included provisions on compensation, demanding that compensation schemes in large banks and financial institutions should focus on reducing risk exposure.

Conclusions and implications

At present, the chief objectives of the G-20 are: to reduce the negative impacts of the recession, mitigate risks, decrease global poverty levels, protect the environment and ensure food security. To meet the objectives, international cooperation is of utmost importance in addition to the greater involvement of emerging nations in the decision-making process and helping them to provide social support to citizens, who are now vulnerable to the effects of the crisis.

Food security will be achieved by enhancing agricultural productivity and access to technology and food; financial support will be provided to the private sector and the infrastructure, and further investment will be made to deploy clean energy resources to protect the environment. By 2020, the G-20 has committed to phase out fossil fuel subsidies and to reduce greenhouse gas emissions by 10% by the year 2050.

The present crisis has highlighted the importance of responsible business practices and has confirmed that prosperity is directly linked to economic growth, therefore no region or country can face social and economic challenges by itself. To overcome the current crisis and ensure stability, the world needs coordinated economic, social and environmental strategies, robust financial systems and international cooperation.

The G-20 has committed to design and implement macroeconomic policies focusing on long-term objectives, aimed at avoiding global imbalances, rejecting protectionism in all its forms, maintaining open markets, supporting loyal and transparent competition, fostering innovation and entrepreneurship and creating an adequate economic framework to meet consumer demands, boost investments and create conditions for environmentally-friendly business activities.

Emphasis will be placed on investment in people, by providing the conditions for: improved access to education, job training, decent work conditions, access to health care, support through the social assistance system, all of this with the express goal of reducing poverty and all forms of discrimination.

The slide into an economic crisis of major proportions provided the opportunity to recognise that all countries, developed or less developed, must become partners in the restoration of the global economic balance, on the road to progress, in order to meet the objectives established at international level.

REFERENCES:

1. **Bauman, Z.,** 1999, *Globalizarea şi efectele ei sociale*, Editura Antet, Bucureşti;
2. **Ciupagea C.**, 2001, *Fundamente teoretice ale comerţului internaţional*, Editura Economică, Bucureşti;
3. **Keynes, J.M.**, 2009, *Teoria generală a ocupării forţei de muncă, a dobânzii şi a banilor*, Editura Publica, Bucureşti;
4. **Krugman, P**., 2009, *Întoarcerea economiei declinului şi criza din 2008*, Editura Publica, Bucureşti;
5. **Haller, A.P.**, 2008, *Exporturile – factor de dezvoltare şi creştere economică*, Editura Performantica, Iaşi;
6. **Lynch, D.**, 2009, *G20 vows against protectionism not always kept*, http://www.usatoday.com
7. http://www.g20.org
8. http://www.londonsummit.gov.uk