Sarkozy urges G-20 capital code

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In his outline of the G-20's primary objectives under the French leadership, the French President Nicholas Sarkozy underscored the need to limit the serious risks to global economic growth posed by volatile food prices and commodities speculation through a "code of conduct to regulate international capital flows". In order to achieve this, he stated that the G-20 had to agree on a list of criteria to identify large trade and capital flow imbalances in major economies. However, agreement on this issue will be difficult to achieve because the IMF does not see the need for explicit rules and the US is against such an idea. Moreover, some major emerging countries accused the US of launching a "currency war" after the Fed's second round of quantitative easing led to massive private capital flows from advanced to emerging economies with a subsequent appreciation of the latters' currencies. This trend could worsen in 2011 as bond and equity portfolios are adjusted to reflect the growing weight of these countries in the world economy.